



## Sealed Air Corporation: Globalization and Corporate Culture (A) (Abridged)

*Perhaps the most critical question we face at Sealed Air is how to grow the company without adding layers of management. We currently have about as many layers as we're comfortable with. Those of us who will manage the company into the next century face a different challenge than the last generation of managers. Their challenge was to establish Sealed Air internationally. Ours is to grow the company without becoming centralized and bureaucratic. We're in 25 countries now. In ten years, we'll be in 50. I think the only way to do it is to create a company that manages itself. By spreading and strengthening our corporate culture, I think we can achieve that.*

—William V. Hickey, President and COO, Sealed Air Corporation

In the spring of 1997 as Bill Hickey looked to the future, he wondered whether the culture he associated with Sealed Air was as deeply embedded in the organization as it was in his own thoughts and approach to management. If it was, his vision of growing without adding layers might become a reality. If not, then moving forward with his vision might actually damage the company.

Hickey had become Sealed Air's president and COO in late 1996, after long-term CEO Dermot Dunphy assumed the title of chairman. Hickey believed that a strong, healthy culture enabled a company to perform well with fewer staff, less structure, and less overhead. He was proud of the "Sealed Air way," which he thought had made a substantial contribution to the company's past growth and profitability. But it was more than that. He saw the approach as very "human"—it was what made Sealed Air an enjoyable place to work.

Hickey, who had joined Sealed Air in 1980, viewed the company's culture as quite unusual. Sealed Air's numerous acquisitions had exposed him to the cultures of many different companies, and through overseas ventures he had become acquainted with various societal cultures. Pete Funkhouser, a senior vice president and long-time head of Sealed Air's international business, was acutely aware of the dissonance between Sealed Air's culture and certain regional cultures of the world. "By and large," he noted, "We have no difficulty perpetuating the culture in the United States, but outside the United States it's difficult to inculcate. The raw material is different. People view life differently. They are brought up differently."

### *Background on Sealed Air Corporation*

Founded in 1960, Sealed Air manufactured and sold a wide variety of protective packaging materials and systems. By 1997, it had become one of the world's premier protective and specialty

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packaging companies. Although packaging products were sometimes thought to be commodities, Sealed Air based its whole approach to product development and sales on the philosophy that “there is no such thing as a commodity.” The company saw itself not simply as a seller of packaging products, but as a professional provider of “packaging solutions.” The salesperson’s role, therefore, was to work with customers in a consultative way to find cost-effective solutions to their packaging problems. Sealed Air’s professional approach to the customer, known within the company as “consultative selling,” had become a company hallmark.

To assist customers in solving their packaging problems, Sealed Air sold a wide range of packaging products, more than 90% of which included proprietary features not available from a rival.)<sup>1</sup> These products were marketed to the industry under a variety of registered names and trademarks. Among them were Jiffy™ mailers and Bubble Wrap®—the sheets of plastic bubbles that children love to pop. Sealed Air also made Instapak® foam-in-place packaging systems used by computer and electronics makers; Aircap® and PolyCap® Plus air cellular cushioning materials; Trigon tamper-evident bags for transporting currency; Cell-Aire® polyethylene foam; PolyMask® and Bubble Mask® coated masking materials; and Kushion Kraft® cellulose wadding and Dri-Loc® and Pad-Loc™ absorbent pads for meat and other food products.

Over the years, Sealed Air’s revenues had grown consistently, and the firm had delivered an outstanding return to its shareholders. In 1996, the New Jersey-based company’s revenues were nearly \$790 million, a 9% increase over the previous year and more than a hundred-fold increase over 1971, when Dunphy had become CEO. Since 1990, the annual return on Sealed Air’s common stock averaged nearly 40%, a return substantially in excess of the S&P 500. Between 1990 and 1996, the company’s operating profit before depreciation and amortization increased from \$78.5 million to \$152.9 million. (See Exhibit 1 for summary of Sealed Air’s financial performance.)

Historically, Sealed Air had grown both organically and through acquisitions designed to extend its technological and geographic reach. Strongly committed to innovation, Sealed Air regularly spent about 2.0% of sales on research and development, compared to a 1% average for the packaging industry. Since 1976, the company had made more than 25 selective acquisitions of varying size. Management viewed each acquisition as an opportunity for rejuvenation. Said Dunphy, “our acquisitions act as catalysts for organizational change. Our acquisitions are all integrative, none of this: ‘we love your management, we’ll leave you alone, you’ll like our benefits.’ Every time we make an acquisition we re-evaluate *everyone* and put the best people in the best places.”<sup>2</sup>

In the late 1980s, Sealed Air had a great deal of cash on hand. Finding no reasonably priced acquisition opportunities, and with certain patents expiring and competition increasing, management launched a World-Class Manufacturing program (WCM). Aimed at increasing efficiencies and reducing waste, WCM involved a radical reorganization and simplification of the entire manufacturing operation. A year later, in 1989, the company undertook a major financial restructuring. As part of this restructuring, referred to as a leveraged recapitalization, Sealed Air borrowed over \$300 million dollars, combined these proceeds with internally generated funds, and paid shareholders a \$40 special dividend.<sup>3</sup>

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<sup>1</sup> Matt Krantz, “Packing Punch: How Sealed Air Keeps Its Edge,” *Investor’s Business Daily*, October 22, 1996.

<sup>2</sup> As quoted in Karen Wruck, “Financial Policy, Internal Control, and Performance: Sealed Air Corporation’s Leveraged Special Dividend,” *Journal of Financial Economics*, volume 36, 1994, pp. 157–192.

<sup>3</sup> Ibid.

The recap was considered a bold and somewhat dangerous move by many. The total market capitalization of SAC's common stock was only \$370 million, and the stock price was just over \$45. (By 1997, the stock had split twice.) Thus, the company paid out the vast majority of its value in the form of a dividend to shareholders, leaving it highly leveraged. Sealed Air's management saw the payout as the best use of the company's cash flow and, at the same time, similar to an acquisition in its power to develop the organization. According to Dunphy, "The recapitalization, in addition to its financial objectives, was planned as a reinforcer and re-energizer of a change in strategy and culture."

Shortly after the recap, the company distributed to all employees a small laminated card in the shape of the number "1" listing the company's top priorities. (See *Exhibit 2*.) Crafted by Dunphy, the card reemphasized Sealed Air's long-standing focus on the customer, but it also introduced a shift in financial emphasis from earnings per share to cash flow and included World Class Manufacturing among the list of priorities. At this time, there was also a broadening of stock ownership and profit sharing among the employees. In the 1990s, Sealed Air returned to its strategy of growth through acquisitions, but placed more emphasis on retaining substantial debt in its capital structure.

### *Building a Global Company*

Sealed Air had operated internationally for several decades. Its first foray outside the United States was in 1972 with a manufacturing operation in England. By the mid- 1970s, the company had established a presence in continental Europe, and in the late 1970s, opened an Instapak® sales office in Tokyo. It was not until the early 1990s, however, that Sealed Air began to think in terms of being a truly global company— with demonstrated worldwide market leadership in packaging technology and solutions. To achieve this aim, management recognized that the company would have to think of itself, its customers, and its products on a global basis. Indeed, by 1996, the company had 48 plants and 4,200 employees in 25 countries. The international business division accounted for 39% of net sales, and it was anticipated that, by 2000, non-U.S. operations would account for more than 50%.

In 1992, Sealed Air replaced its geographic structure, in which country managers reported to a head of international business, with a divisional structure based on its three major product classes: (1) the Packaging Products Division (PPD) which handled Bubble Wrap® and other plastic air-cushioning lines; (2) the Engineered Products Division (EPD) which managed the dominant Instapak® custom packaging systems sold to computer, electronics, medical, and other equipment makers; and (3) the Food Packaging Division (FPD) which handled Dri-Loc® and Pad-Loc™ absorbent pads as well as other products used in food packaging. Heads of all three divisions were based in the United States and English was made the company's official language. New information systems were introduced and a series of initiatives launched to step up the transfer of knowledge and experience across the company's operations worldwide.

The new structure generated some concern among Sealed Air's international managers, particularly those who had previously managed specific countries or regions. Though the new structure was intended to support a decentralized approach to globalization, some thought the actual effect was toward centralization and Americanization. Certainly, country managers in Europe felt that their authority was reduced, although they acknowledged that the new divisional structure made it easier for information and contacts to flow across country borders.

### *Creating a Seamless Culture*

Sealed Air's management had always paid attention to the company's culture, but after the divisionalization, they sensed a need to do more. Recognizing that structural changes alone were not

enough, they began to view the creation of a seamless corporate culture as a key to effective globalization. Sealed Air's culture was based on an approach to people, both inside and outside the company, that management felt would lead to good business results while at the same time fostering an environment of mutual respect and dignity. Horst Tebbe, chief financial officer and vice president for emerging markets, described the culture as "very strong and very remarkable. Its bedrock is a real regard for each individual, for trust between individuals, and for truth and fair dealing."

The culture had its origins in the late 1960s. According to a former vice president,

Sealed Air developed a strong cultural identity very early. The foundation for this culture was to a large degree the product of Ted Bowers (then CEO) and Bill Danforth (originally vice president for sales and marketing, subsequently vice president for operations) and their very different personalities. Ted was a charismatic, big idea guy who created excitement and made everyone feel good. Bill, on the other hand, was a critical perfectionist who pushed employees relentlessly. The result was a high-energy environment extremely attractive to young people looking for a challenge. From the beginning we were able to choose the people we wanted.

Bowers was credited with exceptional hiring skills. "The specification he established," said another former officer, included "talent, energy, integrity, promotability, and ability to grow and change."

The culture developed and achieved a more robust expression under Dunphy, who joined Sealed Air as president and CEO in 1971. Dunphy felt strongly that the non-quantifiable attitudes and habits that guided employees' behavior had a profound influence on the organization. He saw these habits both as valuable in and of themselves, and also as contributors to a sense of ownership, entrepreneurship, and accountability among employees. (See Exhibit 3 for Dunphy on culture.)

Thus, Dunphy and the other members of Sealed Air's management team made consistent, deliberate efforts to foster trust, cooperation, and mutual respect. This culture was intended not only to permeate the organization, but also to carry through to relationships with customers, suppliers, and competitors. Reflecting management's belief that "virtue was a competitive advantage," Sealed Air had rejected commonplace practices such as slamming the competition or poaching rivals' employees to gain proprietary information.

For Hickey, Sealed Air's culture began with the company's code of conduct. More than a list of rules and regulations, the code represented the company's "non-negotiable, inviolate principles" or the basic terms of membership in the organization. (See Exhibit 4 for the code.) As Hickey described it, "the code was supported by a set of values like openness and trust and how we think about work life, hierarchy, and relating to customers." A basic precept was the open door that said, "anyone can talk to anyone." Open communication and consensus-decision making were the norm. Noted Hickey, "if people failed to succeed at Sealed Air, it's often around sharing information. If you're a control freak, it's a serious disadvantage to your career."

Managers also viewed hiring and career development practices as an integral part of the culture. Because selecting and developing people was seen as a core management function, the company had no human resources or personnel department. This left hiring, firing, and compensation decisions with line managers. (A small administrative department handled benefits and payroll related work.) Preferring to operate on the basis of trust, Sealed Air did not use formal employment contracts. According to Hickey, there was an implicit contract that employees would be treated fairly in terms of compensation and, if things did not work out, in terms of severance.

Management was proud that Sealed Air had never downsized or undertaken mass lay-offs. Dunphy explained that in the packaging industry, if management did its job, such actions should not be necessary, although he recognized that other industries might be different. Dunphy also believed

the company should try to offer employment and not just “employability” to those who worked hard, innovated, and adapted. Though touted as the basis of a new social contract between employers and employees, “employability” seemed to Dunphy a poor substitute for employment. While hard work was encouraged, Dunphy did not want Sealed Air employees to become “workaholics.” He spoke frequently about the importance of family in each employee’s life.

Related to the company’s lack of a human resources department was its constant battle against adding management layers and burgeoning bureaucracy. “Do more with less” was a frequently-invoked precept that was reflected in Sealed Air’s practices of keeping the organization flat; job descriptions, loose; and the number of rules and policies, minimal. “Our philosophy is that hierarchy has little meaning at Sealed Air,” explained Hickey. Nevertheless, bureaucratic tendencies had to be constantly checked. “We fight bureaucracy everyday,” he said, “for example, we continually discourage excessive memo writing and favor voice mail over e-mail.” Hickey also reported that in order to “reinforce the culture,” spans of control were kept broad, on the order of 10–15 people. The company had a modest corporate headquarters office and kept a close eye on costs, often expensing items that would be capitalized in other companies.

Open communication with investors and willing acceptance of investor discipline was another integral part of Sealed Air’s culture. The company operated without management employment contracts, golden parachute arrangements, or any form of takeover deterrent. Dunphy explained, “While I want Sealed Air to remain independent, I have an aversion to shark repellents. They protect only the managers. We have no employment contracts, no golden parachutes. When you deliver value for shareholders you don’t need to go around protecting your job. I like to be exposed to the market place—the discipline is important.”<sup>4</sup>

Sealed Air’s management emphasized employee equity ownership at all levels of the organization. With about 25% of the company’s defined contribution retirement benefits invested in company stock, virtually all U.S. employees were shareholders. Moreover, contingent stock awards were an important part of the compensation package for certain key managers. In addition, as a way of motivating employees and aligning their interests with shareholders, the company offered profit sharing, which could amount to as much as 10% of annual compensation.

Dunphy felt strongly that employee stock ownership improved company performance. He explained, “Stock ownership motivates managers. I can’t prove it, but I believe it. But people have to hold onto the stock for it to work. At many firms, people cash in when it vests, but at Sealed Air people don’t sell. I take a paternalistic, intrusive approach when employees want to sell their shares. Selling stock defeats the purpose. Of course, people can sell for a good reason—college education for their kids etc., but I want them to keep 70% of everything they’ve been awarded.”<sup>5</sup> Management felt that the optimal amount of employee ownership was 20% of the common stock. In Dunphy’s view, “I don’t want more than 20% management ownership—we don’t want to be an employee-owned firm. We want to be publicly owned, and our employees have to take care of the shareholders who are the owners.”<sup>6</sup> In 1997, employees comprised about 15%–16% of the investor base.

Instilling the Sealed Air culture was an important part of the integration process for acquired companies. According to Katherine White, assistant general counsel and corporate secretary, the process of turning a company into “a Sealed Air kind of place” varied from situation to situation, but typically involved a range of issues including “the ethical issues; the way we purchase; the way we

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<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

deal with customers; the way our plants operate; the kind of people we hire and the credentials we look for; the style of management—we don't tolerate autocratic, oppressive, abusive people who just can't change. That decisions have to be cleared through a group is frustrating to some."

If a company was to be integrated, Sealed Air tried to move quickly to commingle the organizations and establish person-to-person connections with members of the new group. Someone at Sealed Air was designated as a "buddy" for each key person in the acquired organization. The integration process was aimed at rationalizing the workforce in a way that was both fair to employees who were let go, and quickly gave remaining employees a sense of belonging.

### *Assessing the Culture*

Despite their efforts to promulgate and support the culture, Dunphy and Hickey were not sure how deeply into the organization these ideas had penetrated. For example, the process of integrating Trigon, a New Zealand-based food packager acquired in January 1995, had highlighted the difficulties. Hickey noted, "It's tough to bond over 12,000 miles across the Pacific."

The issues at Trigon raised a more general concern that was highly relevant to Sealed Air's efforts to globalize: how well the Sealed Air way traveled across borders. Hickey felt that some aspects of Sealed Air's culture were particularly difficult to transfer. Trust, he felt, was more difficult to "export" than consultative selling. Funkhouser saw the regional cultures of the world as the number one barrier to exporting Sealed Air's culture. He cited a few such cultural tensions:

- the 1989 recapitalization, while well accepted in the United States and a proven success, was still considered "insane" by some in Europe who could not accept that their company would intentionally add so much debt to its capital structure;
- price fixing, a subject of "paranoia" in the United States was not a major concern in Europe where many considered it acceptable to have lunch with a competitor to discuss prices;
- Sealed Air's World Class Manufacturing program involved greatly increasing the input from hourly workers, an approach which had been thriving in the United States since the late 1980s. In Europe, however, it appeared that there was resistance to accepting worker's input and opinions;
- the sales function was a respected professional activity in the United States, but in a number of other countries it was seen as a second-rate job which carried little social prestige;
- asking for orders, a normal part of selling in the United States, was considered a breach of etiquette in other countries, for example Japan;
- Sealed Air's code of conduct, considered part of normal behavior in the United States, presented problems elsewhere. According to Funkhouser, "An inability to deal with the code of conduct and the culture surrounding it is a major reason people get dismissed overseas."

In view of Sealed Air's plans for continued growth and its increasing investments overseas, Dunphy and Hickey decided to take a close look at the state of Sealed Air's culture in its operations around the globe. As part of that effort, researchers interviewed Sealed Air employees in a variety of locations and across a wide range of positions at seven locations in the United States, Europe, and Asia. After reading the reports, Dunphy and Hickey wondered whether they should reconsider what it meant to create a seamless global culture and what they should do going forward.

Exhibit 1a Selected Data on Sealed Air Corporation 1985-1996 (\$ in millions)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	CAGR
<b>Data from Financial Statements</b>													
Sales	163.22	206.85	302.69	345.81	385.04	413.27	435.13	448.06	451.63	519.19	723.12	780.61	14.20%
Operating Profit before Depreciation	30.42	34.73	46.07	52.25	67.80	78.51	81.79	85.26	89.01	98.85	129.35	152.93	15.79%
Depreciation and Amortization	5.55	6.71	9.50	9.87	10.14	11.08	12.31	14.07	14.90	14.32	20.47	22.86	
Net Income	14.02	15.55	20.40	25.30	7.29	11.38	16.18	20.77	27.37	31.84	52.73	60.32	15.84%
Working Capital	46.69	57.34	63.50	84.86	34.12	22.32	18.50	23.42	39.89	15.77	41.95	-38.31	
Total Assets	148.02	167.63	228.17	256.48	220.07	225.47	274.88	268.26	279.82	331.12	443.55	457.12	11.01%
<b>Discretionary Expenditures</b>													
Capital Spending	7.91	14.52	15.13	13.92	13.82	12.06	-5.35	11.23	22.47	17.47	21.08	17.02	
Research and Development	4.76	5.24	5.58	6.96	6.27	7.01	9.88	9.41	9.17	10.91	14.60	15.45	
Cash Acquisitions in Excess of Divestitures and Sale of Property Plant and Equipment	5.48	0.00	4.67	9.79	0.50	0.00	-0.32	0.00	1.17	15.27	27.71	30.03	
<b>Other Measures<sup>a</sup></b>													
Number Employed (000s)	1.60	1.65	2.23	2.37	2.40	2.40	2.77	2.72	2.75	3.70	3.90	4.20	9.17%
Profit Margin	8%	8%	7%	7%	2%	3%	4%	5%	6%	6%	7%	9%	
Return to Common Stockholders	50.02	15.45	-11.93	30.87	79.32	22.69	60.95	11.05	25.87	14.83	54.48	48.68	
Return on S&P 500	42.86	8.03	-16.86	18.37	32.60	-21.41	50.55	23.37	11.14	-3.60	54.05	35.12	
Stock Value	Na	na	285.83	372.46	171.12	219.45	429.45	482.78	638.31	724.60	1183.90	1769.94	22.46%
Firm Value	93.02	110.38	308.84	391.43	472.68	478.53	683.20	708.06	816.37	879.89	1333.70	1980.84	31.36%

Source: Standard &amp; Poor's Compustat data via Research Insight™.

<sup>a</sup>Firm Value is estimated as the sum of the book value of Sealed Air's long-term debt (including the current portion), the book value of its preferred stock, and the market value of its common stock at year-end.

**Exhibit 1b** Net Sales by Class of Product 1992–1996 (\$ in thousands)

	1996	1995 <sup>a</sup>	1994	1993	1992
Engineered products	\$284,974	\$252,535	\$208,363	\$180,508	\$176,541
Surface protection and other cushioning products	368,692	333,519	234,587	204,645	200,396
Food packaging products	106,473	103,866	56,444	51,023	52,727
Other products	29,473	33,200	19,792	15,518	16,394
Total	\$789,612	\$723,120	\$519,186	\$451,694	\$446,058

Source: Sealed Air Corporation Annual Report 1996.

<sup>a</sup>Includes the operations of Trigon Industries Limited from the date of its acquisition in January 1995.**Exhibit 1c** Selected Information by Major Geographic Area 1994–1996 (\$ in thousands)

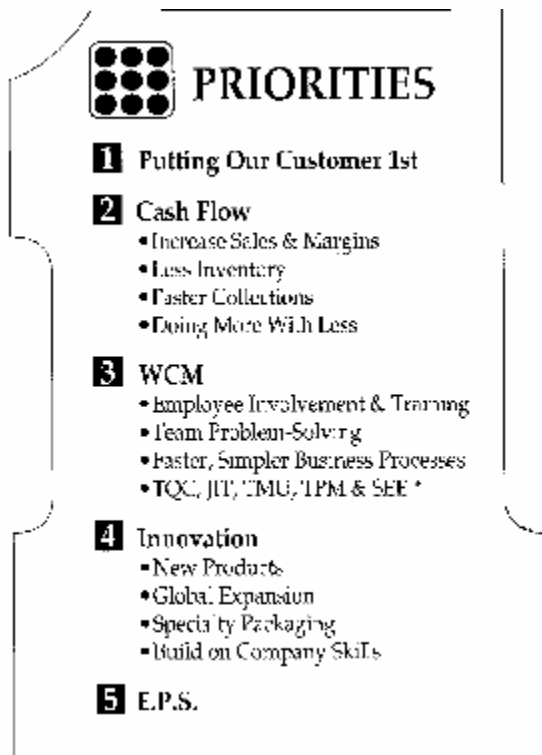
	Net Sales	Operating Profit	Identifiable Assets
<b>1996</b>			
United States	\$504,449	\$95,375	\$213,223
Europe	204,474	25,696	156,242
Asia/Pacific and Other	113,687	9,001	97,654
Eliminations	(32,998)	--	--
Consolidated	\$789,612	\$130,072	\$467,119
<b>1995</b>			
United States	\$464,820	\$75,828	\$213,099
Europe	188,558	24,617	153,563
Asia/Pacific and Other	94,864	8,435	76,883
Eliminations	(25,122)	--	--
Consolidated	\$723,120	\$108,880	\$443,545
<b>1994</b>			
United States	\$385,484	\$65,884	\$185,510
Europe	107,990	13,882	116,800
Asia/Pacific and Other	44,681	4,143	28,807
Eliminations	(18,969)	--	--
Consolidated	\$519,186	\$83,909	\$331,117

Source: Sealed Air Corporation Annual Report 1996.

Note: Net sales shown for the United States, Europe and Asia/Pacific and Other include transfers to other geographic areas as follows: United States, 1996—\$22,888,000; 1995—\$18,412,000; 1994—\$14,850,000; Europe, 1996—\$4,781,000; 1995—\$2,398,000; 1994—\$1,368,000; Asia/Pacific and Other, 1996—\$5,329,000; 1995—\$4,312,000; 1994—\$2,751,000.



Exhibit 2 Sealed Air Priority Card

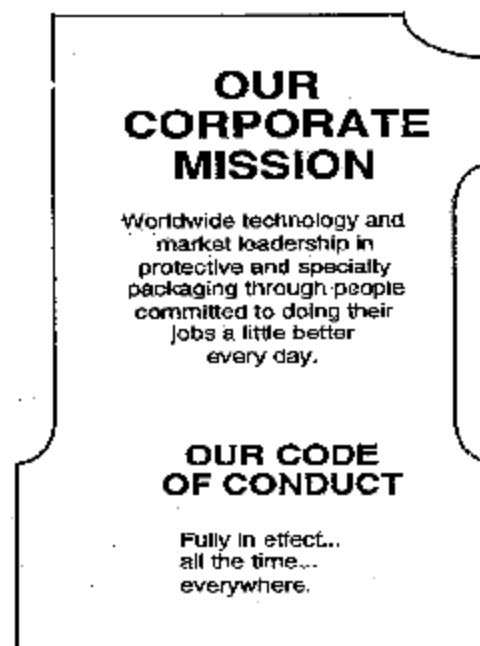


The graphic is a rectangular card with a decorative, torn-edge border on the left side. At the top left is a logo consisting of a 3x3 grid of dots. To the right of the logo is the word "PRIORITIES" in a large, bold, sans-serif font. Below this, there are five numbered items, each with a bold number in a black square followed by the item name and a list of bullet points.

**PRIORITIES**

- 1** Putting Our Customer 1st
- 2** Cash Flow
  - Increase Sales & Margins
  - Less Inventory
  - Faster Collections
  - Doing More With Less
- 3** WCM
  - Employee Involvement & Training
  - Team Problem-Solving
  - Faster, Simpler Business Processes
  - TQC, JIT, TMU, TPM & SEE \*
- 4** Innovation
  - New Products
  - Global Expansion
  - Specialty Packaging
  - Build on Company Skills
- 5** E.P.S.

\*WMC: World Class Manufacturing  
 TQC: Total Quality Control  
 JIT: Just-in-Time  
 TMU: Total Material Usage  
 TPM: Total Preventative Maintenance  
 SEE: Safety and Environmental Excellence



The graphic is a rectangular card with a decorative, torn-edge border on the right side. It contains two sections: "OUR CORPORATE MISSION" and "OUR CODE OF CONDUCT".

**OUR CORPORATE MISSION**

Worldwide technology and market leadership in protective and specialty packaging through people committed to doing their jobs a little better every day.

**OUR CODE OF CONDUCT**

Fully in effect...  
 all the time...  
 everywhere.

Source: Company document.

**Exhibit 3** Text of remarks on Sealed Air Culture by T. J. Dermot Dunphy, President and Chief Executive Officer, Sealed Air TechShare Conference, Florham Park, New Jersey, April 1996

The Oxford Dictionary defines culture as **“the distinctive customs, achievements, products, outlook, etc., of a society or group; the way of life of a society or group.”** For our purposes, the “society or group” is a company.

Without a distinctive culture, a company can easily lose its direction. Written policies and procedures are important, but when people don’t have the time or opportunity to check the policies or procedures, they rely on their instinctive sense of what should be done at that particular company. A written strategy is important, but it is the intuitive understanding of that strategy by a company’s people that makes it effective.

In a strong culture, objectives and values are blended together. A strong culture assures the effective implementation of a strategy and reduces the costs associated with complex organizations and legalistically documented procedures.

A culture is changed by growth, by acquisitions, by globalization and by the sheer passage of time. Change is healthy and all of the foregoing changes can enhance and improve a culture, but only if the organization’s leaders protect the core, the heart of the culture, the instinctive sense of “how we do things around here.”

Culture is as important to a company as instinct is to an animal.

Sealed Air people believe they share a distinct and strong culture, expressed in a set of common objectives and common values.

The Company’s mission is stated in one sentence on a “Priority Card” typically found in the pocket or displayed on the desk of all Sealed Air employees worldwide. The Company’s basic strategic principles were first stated in writing in the 1980 Annual Report and have remained constant from that time forward.

Our common objectives are rooted in common values that go back to the early days of the Company. Sealed Air’s culture was not crafted by consultants in response to a management fad. Rather, it evolved through the interaction of people drawn together by a need for meaning in their work lives beyond a source of income. The bedrock of our values is our Code of Conduct.

We have woven our Company’s strategy into a truly working Code of Conduct, thus blending our common objectives into our common values.

Everything a Sealed Air employee does on the job is ultimately related to satisfying a customer need within the framework of our Code of Conduct. Our advancement and job security, both as a company and as individuals, depend on our ability to satisfy properly the needs of our customers.

A statement directly reflecting the No. 1 Priority on our Priority Card—

We expect each employee to practice and promote high professional standards in carrying out his or her tasks and in his or her relationships with other employees, suppliers, customers and stockholders.

We seek the high road in everything we do.

Consistent with these standards, employees are expected to treat each other with dignity and respect.

The most basic of our common values—

We are a company with a sense of balance between the needs and importance of individuals, on the one hand and the Company on the other hand. There is never a moment's doubt as to the priority of family needs when anniversaries, graduations, family celebrations or family illnesses or problems arise. Other Sealed Air people will step in and deal with the Company's needs while their colleague is dealing with an important personal need.

Hard work and dedication to the Company's success abound. We are a committed people because success belongs to the committed, but we are never obsessive workaholics because we also value a balance in our lives. We value our families.

Pride in being the best at what we do motivates creativity and effort. Arrogance is diligently avoided. We are a people who cultivate the humility that permits learning, change and renewal.

Civility and compassion characterize our attitudes toward each other.

We are an organization built on **TRUST**—no employment contracts for top management, no parachutes, no “poison pills.” Within our organization we seek out and cultivate leaders who inspire trust by the way they act.

We treasure a true community of interest between employees and stockholders. More than 50% of us globally own Sealed Air stock. The percentage will increase as employee stock ownership becomes more accepted in more of the countries where Sealed Air does business. We think like owners, because we are owners. We spend and invest the Company's money like our own money because, in a real sense, it is.

Sealed Air has a strong tradition of consensus decision-making—a process of syndicating ideas, which improves their quality and facilitates their implementation.

The sensitive balance between centralized and decentralized authority in decision-making is openly and continuously discussed throughout the organization.

An organizational structure akin to a flat pyramid has been encouraged for over twenty years. We had a natural inclination to team management before it became fashionable. Teams leverage the talent of their individual members. Broad spans of control and few levels of management increase communication and encourage initiative. Managers with broad spans of control have no time for second guessing or micro-managing competent people.

At Sealed Air we have always strived to reward and recognize all of our innovators without causing them to climb the vertical hierarchy of increasing management responsibility that, unfortunately, in so many American companies is the only means for major reward and recognition, but frequently turns brilliant scientists into bureaucratic paper shufflers.

We think of ourselves as entrepreneurs—people who can get new things done, with limited resources and minimal direction. People who can do **MORE** with **LESS**!

We are an organization that strives to seek out and nurture the creativity that exists in every individual Sealed Air person, recognizing heroes and winners, while encouraging those who may have tried and failed. Great successes are sometimes built on the foundation of disappointing failures.

We avoid formal organization charts, job descriptions, salary ranges or job classifications to permit individuals to expand their ability to contribute to the Company's mission, to respond to flexible MBO's, to work in teams as needed and to be recognized, rewarded and compensated without bureaucratic restrictions.

The Company's management is committed to doing their job in a way that will never create the need for company-wide "downsizings." We are a people who believe in a covenant of loyalty between a company and its employees—a job well done and a willingness to learn and change in response to Company needs earns recognition, reward and security. To keep this covenant, however, we must continue to do **MORE** with **LESS**!

We challenge the "status quo," as we did in the 1989 Recapitalization and create and welcome change, confident in our shared feeling that we can manage whatever comes our way.

Our common objectives spelled out on our Priority Card, and our strategic principles are intuitively understood by the members of our organization. They are more than common objectives; they blend into our foundation of common values. Broad communication obtains commitment and understanding—constantly reinforced. We live the strategy.

The Company's growth goals will vary with respect to different time periods, products, markets and geographical regions. However, the Company is totally committed to growth necessary to fulfill its leadership strategy, and, importantly, to fulfill the career ambitions of its people. In this respect, the Company's historic growth rate of close to 20% annually speaks for itself.

Some of the comments I have made on fighting the bureaucracy, on teams and so on might appear to some of you who have a background in professional management to be a little loose. Don't be concerned. We have a strong culture and a strong intuitively understood strategy. Once you have a strong culture, a strong strategy and you add tight financial controls, then you can give people the freedom to be creative and cut out a lot of the bureaucracy.

Ultimately, it is this orchestration of the balance between control and entrepreneurial creativity that is the basis of any kind of success. And there's no simple answer to that. We struggle with it every day and are willing to be judged by the record.

Do we sometimes fail to live up to the standards I have spelled out here this morning? Of course we do; but we recognize our mistakes, learn from them, and re-focus our efforts. How we respond to our mistakes is a vital part of our culture. Of all that I have said this morning, the most important is to maintain the humility that permits learning, change and renewal.

And there are parts of the company—divisions, departments, countries—where my words this morning may not fully reflect reality. Yes, but we are all working together to refine our global culture. Not just my culture, Bill Hickey's or the Officers'—but yours and mine . . . "the way we do things around here"—*our* culture.

To close my talk this morning, I will ask you to focus on something else that's deeply embedded in our culture: The idea that there is no such thing as a commodity at Sealed Air. We are not a conventional packaging company; we are a very special packaging company. From the early days of its founding, Sealed Air has focused on differentiating its products and selling solutions to customers' packaging problems.

The product differentiation part of the formula lies in your hands. "The best safeguard of competitiveness is technological differentiation *that offers clear value advantages to the customer.*"

Only in this way can we maintain some measure of control over our destiny, and the desire to do just that—control our destiny—is a critical part of our culture. We believe our destiny, quite simply, is to be the best at whatever we choose to do. And looking over this room of almost 100 of our top technical people worldwide, I know that our destiny is in safe hands. Thank you.

**Exhibit 4 Code of Conduct**

Sealed Air Corporation has a reputation for conducting its business on a highly ethical level. It is important that we continue this record of integrity in the future.

Each and every employee of the Corporation and its subsidiaries throughout the world is responsible for the maintenance of our fine reputation. We expect that each employee will support the Company's principles of business ethics and behave in a manner consistent with these high standards. We also expect that no employee in a supervisory position will instruct a subordinate to violate the ethical guidelines of the Corporation.

Each of our employees is expected to comply with the law, but our standard of business ethics goes beyond compliance with law. No list of rules can substitute for the exercise by anyone who represents our company of basic morality, common decency, high ethical standards and respect for the law. If an employee is in doubt about the acceptability of a particular course of action, the following test should be applied: Assuming full public disclosure of the action, should both the employee and the Company feel comfortable from a moral, ethical, and legal standpoint? If the answer is "Yes," then the action is very probably consistent with our corporate philosophy.

If you are ever in doubt as to the appropriate legal or ethical behavior in a situation, you should seek the advice of your supervisor, and, if you are not able to come to a satisfactory answer in those conversations, you should feel free to contact the president of the Company or a member of the Company's Law Department in Saddle Brook, New Jersey (telephone: XXX-XXX-XXXX).

A number of states and other jurisdictions have adopted so-called "whistleblowing" laws. The Company believes that communication and "whistleblowing" perform a valuable function in maintaining high ethical standards of conduct and reducing the risks to the Company, its employees and stockholders from conduct that does not meet the Company's high standards. Accordingly, in the unlikely event that you become aware of circumstances that appear inconsistent with our Code of Conduct or you are instructed by a supervisor or manager to act in a manner inconsistent with our Code of Conduct, you should review the matter with your supervisor, and, if the matter is not resolved as a result of those discussions, you should telephone a member of our

Law Department or the president of the Company to explain the facts. If the facts reveal that such a violation may have occurred, the Company will investigate the situation and take appropriate action. The Company is committed to protecting responsible employees who report violations of the Code of Conduct to management from reprisals or retribution. On the other hand, an employee who participates in or conceals a violation of the Code of Conduct may be subject to disciplinary action, including the possibility of termination of employment.

The guidelines set forth below cover some, but by no means all, of the situations that might arise. These guidelines apply worldwide to Sealed Air Corporation and each of its subsidiaries. Periodically, the Company may elaborate upon particular issues in separate policy statements and may adopt additional or amended guidelines.



☐ Sealed Air is an Equal Opportunity Employer. As a U.S. government contractor, we are also subject to the requirement that we maintain and comply with our Company's Affirmative Action Program. We expect all Sealed Air employees who are responsible for making or influencing hiring, promotion, or other career decisions for the Company to support our equal employment opportunity and affirmative action commitments.



☐ Everything a Sealed Air employee does on the job is ultimately related to satisfying a customer need within the framework of our Code of Conduct. Our advancement and job security, both as a company and as individuals, depend on our ability to satisfy properly the needs of our customers.



☐ We expect each employee to practice and promote high professional standards in carrying out his or her tasks and in his or her relationships with other employees, suppliers, customers, stockholders and other persons having dealings with the Company.



☐ Consistent with these standards, employees are expected to treat each other with dignity and respect. The responsibility to treat fellow employees with dignity and respect is particularly

strong in the case of those employees whose position in the Company may enable them to influence the job security, compensation, promotion or career of other employees. This responsibility includes, among other things, the responsibility to avoid conduct constituting sexual harassment and conduct demeaning to a person's race, religion, creed or national origin.



□ We place a premium on honesty and fair dealing in relationships with and among our employees and in conducting our business activities. Employees are expected to be truthful in dealing with others. All reports or responses to questions provided within the organization or to outsiders (customers, suppliers, financial institutions, governmental agencies of all kinds, other organizations and/or people with a need or right to receive information) are expected to be truthful, accurate and not misleading in any way.



□ Our products and services will be sold on their merits. We will compete vigorously and fairly in the markets we serve. We will afford our competitors the degree of respect that we expect them to afford us.



□ Employees will not use improper or illegal methods to obtain information regarding our competitors.



□ We are committed to providing safe working conditions for our employees, to promoting the safe design, use and handling of our products and to complying with laws relating to the protection of the environment. Each employee is expected to promote these goals in carrying out his or her tasks.



□ Our business dealings with U.S. and other government agencies are subject to laws and regulations that are more stringent than those that apply to standard commercial transactions. Employees having dealings with these agencies are expected to become familiar with the applicable laws and regulations and to act in accordance with them. Failure to comply with these laws and regulations can subject employees not only to disciplinary action by the Company, but also to personal civil or criminal liability.



□ In the course of performing their duties, employees may have access to confidential information concerning other employees such as information appearing on job applications, salary information or other confidential information concerning that employee. This information will be treated as confidential, used only for proper purposes and divulged only to those having a "need to know" it.



□ We will not ask or encourage employees or prospective employees to divulge confidential information to which they may have had access as a result of associations with other companies.



□ The Company's tools, equipment, facilities and inventories, as well as its know-how, technology, market information and business plans, are all valuable assets. It is the responsibility of every employee to preserve and protect the Company's assets and confidential business information and to see that they are not misused or made available to outsiders in any fashion that could be detrimental to the interests of the Company.



□ No Sealed Air employee will place himself or herself in a position where his or her loyalty to the Company becomes divided due to a financial interest in a competitor, supplier or customer.



□ Sealed Air employees may entertain customers, suppliers and other persons, and may be entertained by such persons, in a manner that is customary and necessary for conducting business and is consistent with the Company's policies. However, employees may not entertain or be entertained by U.S. or other government officials unless expressly permitted by applicable law.



□ Sealed Air forbids its employees to make illegal bribes or kickbacks intended to secure favored treatment for the Company from customers, suppliers, domestic or foreign government officials or others. This rule also applies to the use of intermediaries to make such payments. An employee who finds himself or herself in a situation calling for payments which might be construed as illegal bribes or kickbacks should consult with his or her supervisor and corporate counsel prior to taking any action.



□ Sealed Air forbids the giving of any gratuity, whether in cash or property, to any government official in the United States or in any other country in which local law prohibits the giving of such gratuities. While we do not encourage them because they may create an appearance of impropriety, modest gratuities and tips to foreign government officials, representatives of customers, suppliers, or other persons whose duties are essentially ministerial or clerical in nature may be made only if such gratuities and tips do not violate local laws and if they are given solely for the purpose of expediting action required to be taken by such individual rather than for the purpose of influencing such individual to make a decision that he or she is not required to make.



□ The acceptance of gifts from suppliers, customers or others having business dealings with the Company may involve a conflict of interest or create an appearance of impropriety. Accordingly, Sealed Air employees shall not accept any cash payments from persons having a business relationship with the Company. Employees may accept reasonable non-cash gifts having a token or nominal value from any company or individual which has, or might have, a business relationship with the Company provided that they are not intended and cannot be construed as a bribe, kickback or other form of compensation to the recipient.



□ The Company makes no political contributions anywhere in the world. However, the Company encourages its employees to exercise their individual rights to be active in local or national politics.



□ Employees are reminded that it is a violation of United States law to buy or sell Sealed Air stock on the basis of material information not available to the public.



□ It is our policy to comply with the laws that affect the conduct of our business. It is the responsibility of each employee to have a familiarity with the principles of law that affect the performance of his or her job, to assist the Company in complying with the law, and to seek the advice of the employee's supervisor or a member of the Law Department if the employee is uncertain of relevant legal principles.



□ Sealed Air's Law Department provides legal advice to the Company on matters affecting the Company's business. Employees who deal with the Law Department are expected to provide to it all facts that are necessary to enable the Law Department to render a legal opinion on the matter on which its advice is sought. If, based on those facts, the Law Department advises that a proposed course of action is unlawful, questionable or not consistent with this Code of Conduct, the employee to whom that advice is given must act in accordance with that advice and advise his superior of that advice. Failure to comply with this or any other provision of the Code of Conduct may subject an employee to disciplinary action, up to and including possible termination of employment, and sometimes also to personal civil or criminal liability.

We trust that we can count upon all of our employees to maintain the excellent reputation of our company.

Thank you for your support.

*T. J. Dermot Dunphy*

T. J. Dermot Dunphy  
President

January 1991



## Sealed Air Corporation: Globalization and Corporate Culture (A) (Abridged)

*Perhaps the most critical question we face at Sealed Air is how to grow the company without adding layers of management. We currently have about as many layers as we're comfortable with. Those of us who will manage the company into the next century face a different challenge than the last generation of managers. Their challenge was to establish Sealed Air internationally. Ours is to grow the company without becoming centralized and bureaucratic. We're in 25 countries now. In ten years, we'll be in 50. I think the only way to do it is to create a company that manages itself. By spreading and strengthening our corporate culture, I think we can achieve that.*

—William V. Hickey, President and COO, Sealed Air Corporation

In the spring of 1997 as Bill Hickey looked to the future, he wondered whether the culture he associated with Sealed Air was as deeply embedded in the organization as it was in his own thoughts and approach to management. If it was, his vision of growing without adding layers might become a reality. If not, then moving forward with his vision might actually damage the company.

Hickey had become Sealed Air's president and COO in late 1996, after long-term CEO Dermot Dunphy assumed the title of chairman. Hickey believed that a strong, healthy culture enabled a company to perform well with fewer staff, less structure, and less overhead. He was proud of the "Sealed Air way," which he thought had made a substantial contribution to the company's past growth and profitability. But it was more than that. He saw the approach as very "human"—it was what made Sealed Air an enjoyable place to work.

Hickey, who had joined Sealed Air in 1980, viewed the company's culture as quite unusual. Sealed Air's numerous acquisitions had exposed him to the cultures of many different companies, and through overseas ventures he had become acquainted with various societal cultures. Pete Funkhouser, a senior vice president and long-time head of Sealed Air's international business, was acutely aware of the dissonance between Sealed Air's culture and certain regional cultures of the world. "By and large," he noted, "We have no difficulty perpetuating the culture in the United States, but outside the United States it's difficult to inculcate. The raw material is different. People view life differently. They are brought up differently."

### *Background on Sealed Air Corporation*

Founded in 1960, Sealed Air manufactured and sold a wide variety of protective packaging materials and systems. By 1997, it had become one of the world's premier protective and specialty

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packaging companies. Although packaging products were sometimes thought to be commodities, Sealed Air based its whole approach to product development and sales on the philosophy that “there is no such thing as a commodity.” The company saw itself not simply as a seller of packaging products, but as a professional provider of “packaging solutions.” The salesperson’s role, therefore, was to work with customers in a consultative way to find cost-effective solutions to their packaging problems. Sealed Air’s professional approach to the customer, known within the company as “consultative selling,” had become a company hallmark.

To assist customers in solving their packaging problems, Sealed Air sold a wide range of packaging products, more than 90% of which included proprietary features not available from a rival.)<sup>1</sup> These products were marketed to the industry under a variety of registered names and trademarks. Among them were Jiffy™ mailers and Bubble Wrap®—the sheets of plastic bubbles that children love to pop. Sealed Air also made Instapak® foam-in-place packaging systems used by computer and electronics makers; Aircap® and PolyCap® Plus air cellular cushioning materials; Trigon tamper-evident bags for transporting currency; Cell-Aire® polyethylene foam; PolyMask® and Bubble Mask® coated masking materials; and Kushion Kraft® cellulose wadding and Dri-Loc® and Pad-Loc™ absorbent pads for meat and other food products.

Over the years, Sealed Air’s revenues had grown consistently, and the firm had delivered an outstanding return to its shareholders. In 1996, the New Jersey-based company’s revenues were nearly \$790 million, a 9% increase over the previous year and more than a hundred-fold increase over 1971, when Dunphy had become CEO. Since 1990, the annual return on Sealed Air’s common stock averaged nearly 40%, a return substantially in excess of the S&P 500. Between 1990 and 1996, the company’s operating profit before depreciation and amortization increased from \$78.5 million to \$152.9 million. (See Exhibit 1 for summary of Sealed Air’s financial performance.)

Historically, Sealed Air had grown both organically and through acquisitions designed to extend its technological and geographic reach. Strongly committed to innovation, Sealed Air regularly spent about 2.0% of sales on research and development, compared to a 1% average for the packaging industry. Since 1976, the company had made more than 25 selective acquisitions of varying size. Management viewed each acquisition as an opportunity for rejuvenation. Said Dunphy, “our acquisitions act as catalysts for organizational change. Our acquisitions are all integrative, none of this: ‘we love your management, we’ll leave you alone, you’ll like our benefits.’ Every time we make an acquisition we re-evaluate *everyone* and put the best people in the best places.”<sup>2</sup>

In the late 1980s, Sealed Air had a great deal of cash on hand. Finding no reasonably priced acquisition opportunities, and with certain patents expiring and competition increasing, management launched a World-Class Manufacturing program (WCM). Aimed at increasing efficiencies and reducing waste, WCM involved a radical reorganization and simplification of the entire manufacturing operation. A year later, in 1989, the company undertook a major financial restructuring. As part of this restructuring, referred to as a leveraged recapitalization, Sealed Air borrowed over \$300 million dollars, combined these proceeds with internally generated funds, and paid shareholders a \$40 special dividend.<sup>3</sup>

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<sup>1</sup> Matt Krantz, “Packing Punch: How Sealed Air Keeps Its Edge,” *Investor’s Business Daily*, October 22, 1996.

<sup>2</sup> As quoted in Karen Wruck, “Financial Policy, Internal Control, and Performance: Sealed Air Corporation’s Leveraged Special Dividend,” *Journal of Financial Economics*, volume 36, 1994, pp. 157–192.

<sup>3</sup> Ibid.

The recap was considered a bold and somewhat dangerous move by many. The total market capitalization of SAC's common stock was only \$370 million, and the stock price was just over \$45. (By 1997, the stock had split twice.) Thus, the company paid out the vast majority of its value in the form of a dividend to shareholders, leaving it highly leveraged. Sealed Air's management saw the payout as the best use of the company's cash flow and, at the same time, similar to an acquisition in its power to develop the organization. According to Dunphy, "The recapitalization, in addition to its financial objectives, was planned as a reinforcer and re-energizer of a change in strategy and culture."

Shortly after the recap, the company distributed to all employees a small laminated card in the shape of the number "1" listing the company's top priorities. (See *Exhibit 2*.) Crafted by Dunphy, the card reemphasized Sealed Air's long-standing focus on the customer, but it also introduced a shift in financial emphasis from earnings per share to cash flow and included World Class Manufacturing among the list of priorities. At this time, there was also a broadening of stock ownership and profit sharing among the employees. In the 1990s, Sealed Air returned to its strategy of growth through acquisitions, but placed more emphasis on retaining substantial debt in its capital structure.

### *Building a Global Company*

Sealed Air had operated internationally for several decades. Its first foray outside the United States was in 1972 with a manufacturing operation in England. By the mid- 1970s, the company had established a presence in continental Europe, and in the late 1970s, opened an Instapak® sales office in Tokyo. It was not until the early 1990s, however, that Sealed Air began to think in terms of being a truly global company—with demonstrated worldwide market leadership in packaging technology and solutions. To achieve this aim, management recognized that the company would have to think of itself, its customers, and its products on a global basis. Indeed, by 1996, the company had 48 plants and 4,200 employees in 25 countries. The international business division accounted for 39% of net sales, and it was anticipated that, by 2000, non-U.S. operations would account for more than 50%.

In 1992, Sealed Air replaced its geographic structure, in which country managers reported to a head of international business, with a divisional structure based on its three major product classes: (1) the Packaging Products Division (PPD) which handled Bubble Wrap® and other plastic air-cushioning lines; (2) the Engineered Products Division (EPD) which managed the dominant Instapak® custom packaging systems sold to computer, electronics, medical, and other equipment makers; and (3) the Food Packaging Division (FPD) which handled Dri-Loc® and Pad-Loc™ absorbent pads as well as other products used in food packaging. Heads of all three divisions were based in the United States and English was made the company's official language. New information systems were introduced and a series of initiatives launched to step up the transfer of knowledge and experience across the company's operations worldwide.

The new structure generated some concern among Sealed Air's international managers, particularly those who had previously managed specific countries or regions. Though the new structure was intended to support a decentralized approach to globalization, some thought the actual effect was toward centralization and Americanization. Certainly, country managers in Europe felt that their authority was reduced, although they acknowledged that the new divisional structure made it easier for information and contacts to flow across country borders.

### *Creating a Seamless Culture*

Sealed Air's management had always paid attention to the company's culture, but after the divisionalization, they sensed a need to do more. Recognizing that structural changes alone were not

enough, they began to view the creation of a seamless corporate culture as a key to effective globalization. Sealed Air's culture was based on an approach to people, both inside and outside the company, that management felt would lead to good business results while at the same time fostering an environment of mutual respect and dignity. Horst Tebbe, chief financial officer and vice president for emerging markets, described the culture as "very strong and very remarkable. Its bedrock is a real regard for each individual, for trust between individuals, and for truth and fair dealing."

The culture had its origins in the late 1960s. According to a former vice president,

Sealed Air developed a strong cultural identity very early. The foundation for this culture was to a large degree the product of Ted Bowers (then CEO) and Bill Danforth (originally vice president for sales and marketing, subsequently vice president for operations) and their very different personalities. Ted was a charismatic, big idea guy who created excitement and made everyone feel good. Bill, on the other hand, was a critical perfectionist who pushed employees relentlessly. The result was a high-energy environment extremely attractive to young people looking for a challenge. From the beginning we were able to choose the people we wanted.

Bowers was credited with exceptional hiring skills. "The specification he established," said another former officer, included "talent, energy, integrity, promotability, and ability to grow and change."

The culture developed and achieved a more robust expression under Dunphy, who joined Sealed Air as president and CEO in 1971. Dunphy felt strongly that the non-quantifiable attitudes and habits that guided employees' behavior had a profound influence on the organization. He saw these habits both as valuable in and of themselves, and also as contributors to a sense of ownership, entrepreneurship, and accountability among employees. (See Exhibit 3 for Dunphy on culture.)

Thus, Dunphy and the other members of Sealed Air's management team made consistent, deliberate efforts to foster trust, cooperation, and mutual respect. This culture was intended not only to permeate the organization, but also to carry through to relationships with customers, suppliers, and competitors. Reflecting management's belief that "virtue was a competitive advantage," Sealed Air had rejected commonplace practices such as slamming the competition or poaching rivals' employees to gain proprietary information.

For Hickey, Sealed Air's culture began with the company's code of conduct. More than a list of rules and regulations, the code represented the company's "non-negotiable, inviolate principles" or the basic terms of membership in the organization. (See Exhibit 4 for the code.) As Hickey described it, "the code was supported by a set of values like openness and trust and how we think about work life, hierarchy, and relating to customers." A basic precept was the open door that said, "anyone can talk to anyone." Open communication and consensus-decision making were the norm. Noted Hickey, "if people failed to succeed at Sealed Air, it's often around sharing information. If you're a control freak, it's a serious disadvantage to your career."

Managers also viewed hiring and career development practices as an integral part of the culture. Because selecting and developing people was seen as a core management function, the company had no human resources or personnel department. This left hiring, firing, and compensation decisions with line managers. (A small administrative department handled benefits and payroll related work.) Preferring to operate on the basis of trust, Sealed Air did not use formal employment contracts. According to Hickey, there was an implicit contract that employees would be treated fairly in terms of compensation and, if things did not work out, in terms of severance.

Management was proud that Sealed Air had never downsized or undertaken mass lay-offs. Dunphy explained that in the packaging industry, if management did its job, such actions should not be necessary, although he recognized that other industries might be different. Dunphy also believed

the company should try to offer employment and not just “employability” to those who worked hard, innovated, and adapted. Though touted as the basis of a new social contract between employers and employees, “employability” seemed to Dunphy a poor substitute for employment. While hard work was encouraged, Dunphy did not want Sealed Air employees to become “workaholics.” He spoke frequently about the importance of family in each employee’s life.

Related to the company’s lack of a human resources department was its constant battle against adding management layers and burgeoning bureaucracy. “Do more with less” was a frequently-invoked precept that was reflected in Sealed Air’s practices of keeping the organization flat; job descriptions, loose; and the number of rules and policies, minimal. “Our philosophy is that hierarchy has little meaning at Sealed Air,” explained Hickey. Nevertheless, bureaucratic tendencies had to be constantly checked. “We fight bureaucracy everyday,” he said, “for example, we continually discourage excessive memo writing and favor voice mail over e-mail.” Hickey also reported that in order to “reinforce the culture,” spans of control were kept broad, on the order of 10–15 people. The company had a modest corporate headquarters office and kept a close eye on costs, often expensing items that would be capitalized in other companies.

Open communication with investors and willing acceptance of investor discipline was another integral part of Sealed Air’s culture. The company operated without management employment contracts, golden parachute arrangements, or any form of takeover deterrent. Dunphy explained, “While I want Sealed Air to remain independent, I have an aversion to shark repellents. They protect only the managers. We have no employment contracts, no golden parachutes. When you deliver value for shareholders you don’t need to go around protecting your job. I like to be exposed to the market place—the discipline is important.”<sup>4</sup>

Sealed Air’s management emphasized employee equity ownership at all levels of the organization. With about 25% of the company’s defined contribution retirement benefits invested in company stock, virtually all U.S. employees were shareholders. Moreover, contingent stock awards were an important part of the compensation package for certain key managers. In addition, as a way of motivating employees and aligning their interests with shareholders, the company offered profit sharing, which could amount to as much as 10% of annual compensation.

Dunphy felt strongly that employee stock ownership improved company performance. He explained, “Stock ownership motivates managers. I can’t prove it, but I believe it. But people have to hold onto the stock for it to work. At many firms, people cash in when it vests, but at Sealed Air people don’t sell. I take a paternalistic, intrusive approach when employees want to sell their shares. Selling stock defeats the purpose. Of course, people can sell for a good reason—college education for their kids etc., but I want them to keep 70% of everything they’ve been awarded.”<sup>5</sup> Management felt that the optimal amount of employee ownership was 20% of the common stock. In Dunphy’s view, “I don’t want more than 20% management ownership—we don’t want to be an employee-owned firm. We want to be publicly owned, and our employees have to take care of the shareholders who are the owners.”<sup>6</sup> In 1997, employees comprised about 15%–16% of the investor base.

Instilling the Sealed Air culture was an important part of the integration process for acquired companies. According to Katherine White, assistant general counsel and corporate secretary, the process of turning a company into “a Sealed Air kind of place” varied from situation to situation, but typically involved a range of issues including “the ethical issues; the way we purchase; the way we

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<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

deal with customers; the way our plants operate; the kind of people we hire and the credentials we look for; the style of management—we don't tolerate autocratic, oppressive, abusive people who just can't change. That decisions have to be cleared through a group is frustrating to some."

If a company was to be integrated, Sealed Air tried to move quickly to commingle the organizations and establish person-to-person connections with members of the new group. Someone at Sealed Air was designated as a "buddy" for each key person in the acquired organization. The integration process was aimed at rationalizing the workforce in a way that was both fair to employees who were let go, and quickly gave remaining employees a sense of belonging.

### *Assessing the Culture*

Despite their efforts to promulgate and support the culture, Dunphy and Hickey were not sure how deeply into the organization these ideas had penetrated. For example, the process of integrating Trigon, a New Zealand-based food packager acquired in January 1995, had highlighted the difficulties. Hickey noted, "It's tough to bond over 12,000 miles across the Pacific."

The issues at Trigon raised a more general concern that was highly relevant to Sealed Air's efforts to globalize: how well the Sealed Air way traveled across borders. Hickey felt that some aspects of Sealed Air's culture were particularly difficult to transfer. Trust, he felt, was more difficult to "export" than consultative selling. Funkhouser saw the regional cultures of the world as the number one barrier to exporting Sealed Air's culture. He cited a few such cultural tensions:

- the 1989 recapitalization, while well accepted in the United States and a proven success, was still considered "insane" by some in Europe who could not accept that their company would intentionally add so much debt to its capital structure;
- price fixing, a subject of "paranoia" in the United States was not a major concern in Europe where many considered it acceptable to have lunch with a competitor to discuss prices;
- Sealed Air's World Class Manufacturing program involved greatly increasing the input from hourly workers, an approach which had been thriving in the United States since the late 1980s. In Europe, however, it appeared that there was resistance to accepting worker's input and opinions;
- the sales function was a respected professional activity in the United States, but in a number of other countries it was seen as a second-rate job which carried little social prestige;
- asking for orders, a normal part of selling in the United States, was considered a breach of etiquette in other countries, for example Japan;
- Sealed Air's code of conduct, considered part of normal behavior in the United States, presented problems elsewhere. According to Funkhouser, "An inability to deal with the code of conduct and the culture surrounding it is a major reason people get dismissed overseas."

In view of Sealed Air's plans for continued growth and its increasing investments overseas, Dunphy and Hickey decided to take a close look at the state of Sealed Air's culture in its operations around the globe. As part of that effort, researchers interviewed Sealed Air employees in a variety of locations and across a wide range of positions at seven locations in the United States, Europe, and Asia. After reading the reports, Dunphy and Hickey wondered whether they should reconsider what it meant to create a seamless global culture and what they should do going forward.

Exhibit 1a Selected Data on Sealed Air Corporation 1985-1996 (\$ in millions)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	CAGR
<b>Data from Financial Statements</b>													
Sales	163.22	206.85	302.69	345.81	385.04	413.27	435.13	448.06	451.63	519.19	723.12	780.61	14.20%
Operating Profit before Depreciation	30.42	34.73	46.07	52.25	67.80	78.51	81.79	85.26	89.01	98.85	129.35	152.93	15.79%
Depreciation and Amortization	5.55	6.71	9.50	9.87	10.14	11.08	12.31	14.07	14.90	14.32	20.47	22.86	
Net Income	14.02	15.55	20.40	25.30	37.29	11.38	16.16	20.77	27.37	31.84	52.73	60.32	15.84%
Working Capital	46.69	57.34	63.50	84.86	34.12	22.32	18.50	23.42	39.89	15.77	41.95	-38.31	
Total Assets	148.02	167.63	228.17	256.48	220.07	225.47	274.88	268.26	279.82	331.12	443.55	457.12	11.01%
<b>Discretionary Expenditures</b>													
Capital Spending	7.91	14.52	15.13	13.92	13.82	12.06	-5.35	11.23	22.47	17.47	21.08	17.02	
Research and Development	4.76	5.24	5.58	6.96	6.27	7.01	9.88	9.41	9.17	10.91	14.60	15.45	
Cash Acquisitions in Excess of Divestitures and Sale of Property Plant and Equipment	5.48	0.00	4.67	9.79	0.50	0.00	-0.32	0.00	1.17	15.27	27.71	30.03	
<b>Other Measures<sup>a</sup></b>													
Number Employed (000s)	1.60	1.65	2.23	2.37	2.40	2.40	2.77	2.72	2.75	3.70	3.90	4.20	9.17%
Profit Margin	8%	8%	7%	7%	2%	3%	4%	5%	6%	6%	7%	9%	
Return to Common Stockholders	50.02	15.45	-11.93	30.87	79.32	22.69	60.95	11.05	25.87	14.83	54.48	48.68	
Return on S&P 500	42.86	8.03	-16.86	18.37	32.60	-21.41	50.55	23.37	11.14	-3.60	54.05	35.12	
Stock Value	Na	na	285.83	372.46	171.12	219.45	429.45	482.78	638.31	724.60	1183.90	1769.94	22.46%
Firm Value	93.02	110.38	308.84	391.43	472.68	478.53	683.20	708.06	816.37	879.89	1333.70	1980.84	31.36%

Source: Standard &amp; Poor's Compustat data via Research Insight™.

<sup>a</sup>Firm Value is estimated as the sum of the book value of Sealed Air's long-term debt (including the current portion), the book value of its preferred stock, and the market value of its common stock at year-end.

**Exhibit 1b** Net Sales by Class of Product 1992–1996 (\$ in thousands)

	1996	1995 <sup>a</sup>	1994	1993	1992
Engineered products	\$284,974	\$252,535	\$208,363	\$180,508	\$176,541
Surface protection and other cushioning products	368,692	333,519	234,587	204,645	200,396
Food packaging products	106,473	103,866	56,444	51,023	52,727
Other products	29,473	33,200	19,792	15,518	16,394
Total	\$789,612	\$723,120	\$519,186	\$451,694	\$446,058

Source: Sealed Air Corporation Annual Report 1996.

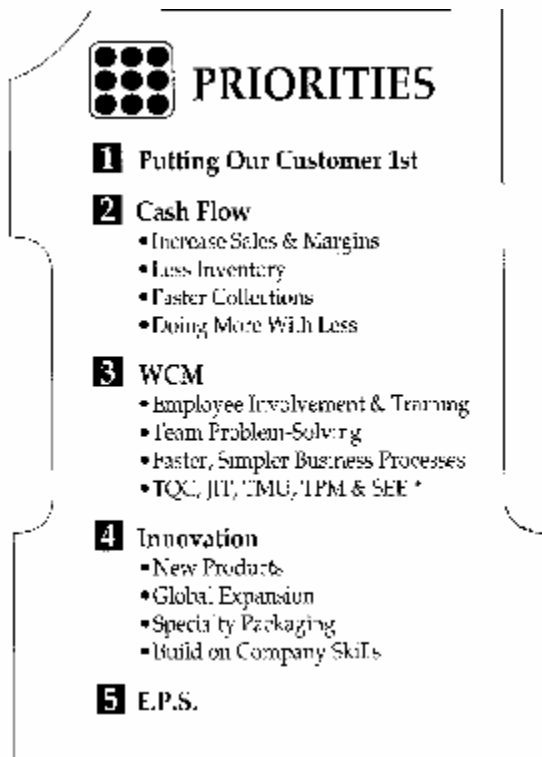
<sup>a</sup>Includes the operations of Trigon Industries Limited from the date of its acquisition in January 1995.**Exhibit 1c** Selected Information by Major Geographic Area 1994–1996 (\$ in thousands)

	Net Sales	Operating Profit	Identifiable Assets
<b>1996</b>			
United States	\$504,449	\$95,375	\$213,223
Europe	204,474	25,696	156,242
Asia/Pacific and Other	113,687	9,001	97,654
Eliminations	(32,998)	--	--
Consolidated	\$789,612	\$130,072	\$467,119
<b>1995</b>			
United States	\$464,820	\$75,828	\$213,099
Europe	188,558	24,617	153,563
Asia/Pacific and Other	94,864	8,435	76,883
Eliminations	(25,122)	--	--
Consolidated	\$723,120	\$108,880	\$443,545
<b>1994</b>			
United States	\$385,484	\$65,884	\$185,510
Europe	107,990	13,882	116,800
Asia/Pacific and Other	44,681	4,143	28,807
Eliminations	(18,969)	--	--
Consolidated	\$519,186	\$83,909	\$331,117

Source: Sealed Air Corporation Annual Report 1996.

Note: Net sales shown for the United States, Europe and Asia/Pacific and Other include transfers to other geographic areas as follows: United States, 1996—\$22,888,000; 1995—\$18,412,000; 1994—\$14,850,000; Europe, 1996—\$4,781,000; 1995—\$2,398,000; 1994—\$1,368,000; Asia/Pacific and Other, 1996—\$5,329,000; 1995—\$4,312,000; 1994—\$2,751,000.

Exhibit 2 Sealed Air Priority Card

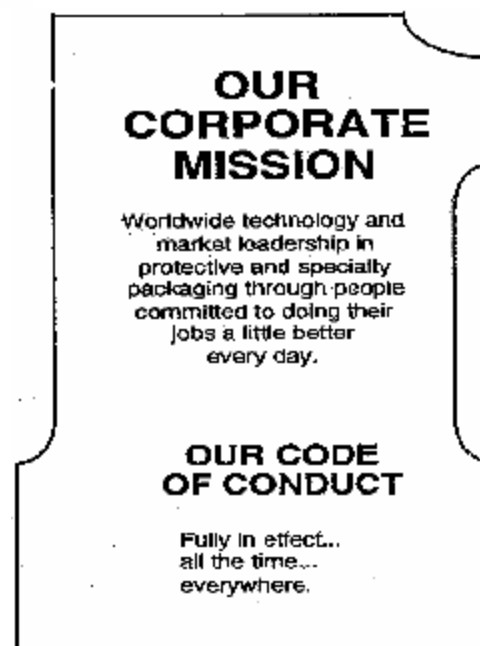


The graphic is a stylized card with a 3x3 grid of dots in the top left corner. The word "PRIORITIES" is written in a large, bold, serif font. Below it are five numbered items, each with a sub-list of bullet points. The card has a decorative, torn-edge border on the left and bottom.

**PRIORITIES**

- 1** Putting Our Customer 1st
- 2** Cash Flow
  - Increase Sales & Margins
  - Less Inventory
  - Faster Collections
  - Doing More With Less
- 3** WCM
  - Employee Involvement & Training
  - Team Problem-Solving
  - Faster, Simpler Business Processes
  - TQC, JIT, TMU, TPM & SEE \*
- 4** Innovation
  - New Products
  - Global Expansion
  - Specialty Packaging
  - Build on Company Skills
- 5** E.P.S.

\*WMC: World Class Manufacturing  
 TQC: Total Quality Control  
 JIT: Just-in-Time  
 TMU: Total Material Usage  
 TPM: Total Preventative Maintenance  
 SEE: Safety and Environmental Excellence



The graphic consists of two separate sections. The top section is titled "OUR CORPORATE MISSION" in a bold, serif font, followed by a paragraph of text. The bottom section is titled "OUR CODE OF CONDUCT" in a bold, serif font, followed by a paragraph of text. Both sections are enclosed in a rectangular border with decorative, torn-edge corners.

**OUR CORPORATE MISSION**

Worldwide technology and market leadership in protective and specialty packaging through people committed to doing their jobs a little better every day.

**OUR CODE OF CONDUCT**

Fully in effect...  
 all the time...  
 everywhere.

Source: Company document.



**Exhibit 3** Text of remarks on Sealed Air Culture by T. J. Dermot Dunphy, President and Chief Executive Officer, Sealed Air TechShare Conference, Florham Park, New Jersey, April 1996

The Oxford Dictionary defines culture as **“the distinctive customs, achievements, products, outlook, etc., of a society or group; the way of life of a society or group.”** For our purposes, the “society or group” is a company.

Without a distinctive culture, a company can easily lose its direction. Written policies and procedures are important, but when people don’t have the time or opportunity to check the policies or procedures, they rely on their instinctive sense of what should be done at that particular company. A written strategy is important, but it is the intuitive understanding of that strategy by a company’s people that makes it effective.

In a strong culture, objectives and values are blended together. A strong culture assures the effective implementation of a strategy and reduces the costs associated with complex organizations and legalistically documented procedures.

A culture is changed by growth, by acquisitions, by globalization and by the sheer passage of time. Change is healthy and all of the foregoing changes can enhance and improve a culture, but only if the organization’s leaders protect the core, the heart of the culture, the instinctive sense of “how we do things around here.”

Culture is as important to a company as instinct is to an animal.

Sealed Air people believe they share a distinct and strong culture, expressed in a set of common objectives and common values.

The Company’s mission is stated in one sentence on a “Priority Card” typically found in the pocket or displayed on the desk of all Sealed Air employees worldwide. The Company’s basic strategic principles were first stated in writing in the 1980 Annual Report and have remained constant from that time forward.

Our common objectives are rooted in common values that go back to the early days of the Company. Sealed Air’s culture was not crafted by consultants in response to a management fad. Rather, it evolved through the interaction of people drawn together by a need for meaning in their work lives beyond a source of income. The bedrock of our values is our Code of Conduct.

We have woven our Company’s strategy into a truly working Code of Conduct, thus blending our common objectives into our common values.

Everything a Sealed Air employee does on the job is ultimately related to satisfying a customer need within the framework of our Code of Conduct. Our advancement and job security, both as a company and as individuals, depend on our ability to satisfy properly the needs of our customers.

A statement directly reflecting the No. 1 Priority on our Priority Card—

We expect each employee to practice and promote high professional standards in carrying out his or her tasks and in his or her relationships with other employees, suppliers, customers and stockholders.

We seek the high road in everything we do.

Consistent with these standards, employees are expected to treat each other with dignity and respect.

The most basic of our common values—

We are a company with a sense of balance between the needs and importance of individuals, on the one hand and the Company on the other hand. There is never a moment's doubt as to the priority of family needs when anniversaries, graduations, family celebrations or family illnesses or problems arise. Other Sealed Air people will step in and deal with the Company's needs while their colleague is dealing with an important personal need.

Hard work and dedication to the Company's success abound. We are a committed people because success belongs to the committed, but we are never obsessive workaholics because we also value a balance in our lives. We value our families.

Pride in being the best at what we do motivates creativity and effort. Arrogance is diligently avoided. We are a people who cultivate the humility that permits learning, change and renewal.

Civility and compassion characterize our attitudes toward each other.

We are an organization built on **TRUST**—no employment contracts for top management, no parachutes, no “poison pills.” Within our organization we seek out and cultivate leaders who inspire trust by the way they act.

We treasure a true community of interest between employees and stockholders. More than 50% of us globally own Sealed Air stock. The percentage will increase as employee stock ownership becomes more accepted in more of the countries where Sealed Air does business. We think like owners, because we are owners. We spend and invest the Company's money like our own money because, in a real sense, it is.

Sealed Air has a strong tradition of consensus decision-making—a process of syndicating ideas, which improves their quality and facilitates their implementation.

The sensitive balance between centralized and decentralized authority in decision-making is openly and continuously discussed throughout the organization.

An organizational structure akin to a flat pyramid has been encouraged for over twenty years. We had a natural inclination to team management before it became fashionable. Teams leverage the talent of their individual members. Broad spans of control and few levels of management increase communication and encourage initiative. Managers with broad spans of control have no time for second guessing or micro-managing competent people.

At Sealed Air we have always strived to reward and recognize all of our innovators without causing them to climb the vertical hierarchy of increasing management responsibility that, unfortunately, in so many American companies is the only means for major reward and recognition, but frequently turns brilliant scientists into bureaucratic paper shufflers.

We think of ourselves as entrepreneurs—people who can get new things done, with limited resources and minimal direction. People who can do **MORE** with **LESS**!

We are an organization that strives to seek out and nurture the creativity that exists in every individual Sealed Air person, recognizing heroes and winners, while encouraging those who may have tried and failed. Great successes are sometimes built on the foundation of disappointing failures.

We avoid formal organization charts, job descriptions, salary ranges or job classifications to permit individuals to expand their ability to contribute to the Company's mission, to respond to flexible MBO's, to work in teams as needed and to be recognized, rewarded and compensated without bureaucratic restrictions.

The Company's management is committed to doing their job in a way that will never create the need for company-wide "downsizings." We are a people who believe in a covenant of loyalty between a company and its employees—a job well done and a willingness to learn and change in response to Company needs earns recognition, reward and security. To keep this covenant, however, we must continue to do **MORE** with **LESS**!

We challenge the "status quo," as we did in the 1989 Recapitalization and create and welcome change, confident in our shared feeling that we can manage whatever comes our way.

Our common objectives spelled out on our Priority Card, and our strategic principles are intuitively understood by the members of our organization. They are more than common objectives; they blend into our foundation of common values. Broad communication obtains commitment and understanding—constantly reinforced. We live the strategy.

The Company's growth goals will vary with respect to different time periods, products, markets and geographical regions. However, the Company is totally committed to growth necessary to fulfill its leadership strategy, and, importantly, to fulfill the career ambitions of its people. In this respect, the Company's historic growth rate of close to 20% annually speaks for itself.

Some of the comments I have made on fighting the bureaucracy, on teams and so on might appear to some of you who have a background in professional management to be a little loose. Don't be concerned. We have a strong culture and a strong intuitively understood strategy. Once you have a strong culture, a strong strategy and you add tight financial controls, then you can give people the freedom to be creative and cut out a lot of the bureaucracy.

Ultimately, it is this orchestration of the balance between control and entrepreneurial creativity that is the basis of any kind of success. And there's no simple answer to that. We struggle with it every day and are willing to be judged by the record.

Do we sometimes fail to live up to the standards I have spelled out here this morning? Of course we do; but we recognize our mistakes, learn from them, and re-focus our efforts. How we respond to our mistakes is a vital part of our culture. Of all that I have said this morning, the most important is to maintain the humility that permits learning, change and renewal.

And there are parts of the company—divisions, departments, countries—where my words this morning may not fully reflect reality. Yes, but we are all working together to refine our global culture. Not just my culture, Bill Hickey's or the Officers'—but yours and mine . . . "the way we do things around here"—*our* culture.

To close my talk this morning, I will ask you to focus on something else that's deeply embedded in our culture: The idea that there is no such thing as a commodity at Sealed Air. We are not a conventional packaging company; we are a very special packaging company. From the early days of its founding, Sealed Air has focused on differentiating its products and selling solutions to customers' packaging problems.

The product differentiation part of the formula lies in your hands. "The best safeguard of competitiveness is technological differentiation *that offers clear value advantages to the customer.*"

Only in this way can we maintain some measure of control over our destiny, and the desire to do just that—control our destiny—is a critical part of our culture. We believe our destiny, quite simply, is to be the best at whatever we choose to do. And looking over this room of almost 100 of our top technical people worldwide, I know that our destiny is in safe hands. Thank you.

**Exhibit 4 Code of Conduct**

Sealed Air Corporation has a reputation for conducting its business on a highly ethical level. It is important that we continue this record of integrity in the future.

Each and every employee of the Corporation and its subsidiaries throughout the world is responsible for the maintenance of our fine reputation. We expect that each employee will support the Company's principles of business ethics and behave in a manner consistent with these high standards. We also expect that no employee in a supervisory position will instruct a subordinate to violate the ethical guidelines of the Corporation.

Each of our employees is expected to comply with the law, but our standard of business ethics goes beyond compliance with law. No list of rules can substitute for the exercise by anyone who represents our company of basic morality, common decency, high ethical standards and respect for the law. If an employee is in doubt about the acceptability of a particular course of action, the following test should be applied: Assuming full public disclosure of the action, should both the employee and the Company feel comfortable from a moral, ethical, and legal standpoint? If the answer is "Yes," then the action is very probably consistent with our corporate philosophy.

If you are ever in doubt as to the appropriate legal or ethical behavior in a situation, you should seek the advice of your supervisor, and, if you are not able to come to a satisfactory answer in those conversations, you should feel free to contact the president of the Company or a member of the Company's Law Department in Saddle Brook, New Jersey (telephone: XXX-XXX-XXXX).

A number of states and other jurisdictions have adopted so-called "whistleblowing" laws. The Company believes that communication and "whistleblowing" perform a valuable function in maintaining high ethical standards of conduct and reducing the risks to the Company, its employees and stockholders from conduct that does not meet the Company's high standards. Accordingly, in the unlikely event that you become aware of circumstances that appear inconsistent with our Code of Conduct or you are instructed by a supervisor or manager to act in a manner inconsistent with our Code of Conduct, you should review the matter with your supervisor, and, if the matter is not resolved as a result of those discussions, you should telephone a member of our

Law Department or the president of the Company to explain the facts. If the facts reveal that such a violation may have occurred, the Company will investigate the situation and take appropriate action. The Company is committed to protecting responsible employees who report violations of the Code of Conduct to management from reprisals or retribution. On the other hand, an employee who participates in or conceals a violation of the Code of Conduct may be subject to disciplinary action, including the possibility of termination of employment.

The guidelines set forth below cover some, but by no means all, of the situations that might arise. These guidelines apply worldwide to Sealed Air Corporation and each of its subsidiaries. Periodically, the Company may elaborate upon particular issues in separate policy statements and may adopt additional or amended guidelines.



☐ Sealed Air is an Equal Opportunity Employer. As a U.S. government contractor, we are also subject to the requirement that we maintain and comply with our Company's Affirmative Action Program. We expect all Sealed Air employees who are responsible for making or influencing hiring, promotion, or other career decisions for the Company to support our equal employment opportunity and affirmative action commitments.



☐ Everything a Sealed Air employee does on the job is ultimately related to satisfying a customer need within the framework of our Code of Conduct. Our advancement and job security, both as a company and as individuals, depend on our ability to satisfy properly the needs of our customers.



☐ We expect each employee to practice and promote high professional standards in carrying out his or her tasks and in his or her relationships with other employees, suppliers, customers, stockholders and other persons having dealings with the Company.



☐ Consistent with these standards, employees are expected to treat each other with dignity and respect. The responsibility to treat fellow employees with dignity and respect is particularly

strong in the case of those employees whose position in the Company may enable them to influence the job security, compensation, promotion or career of other employees. This responsibility includes, among other things, the responsibility to avoid conduct constituting sexual harassment and conduct demeaning to a person's race, religion, creed or national origin.



□ We place a premium on honesty and fair dealing in relationships with and among our employees and in conducting our business activities. Employees are expected to be truthful in dealing with others. All reports or responses to questions provided within the organization or to outsiders (customers, suppliers, financial institutions, governmental agencies of all kinds, other organizations and/or people with a need or right to receive information) are expected to be truthful, accurate and not misleading in any way.



□ Our products and services will be sold on their merits. We will compete vigorously and fairly in the markets we serve. We will afford our competitors the degree of respect that we expect them to afford us.



□ Employees will not use improper or illegal methods to obtain information regarding our competitors.



□ We are committed to providing safe working conditions for our employees, to promoting the safe design, use and handling of our products and to complying with laws relating to the protection of the environment. Each employee is expected to promote these goals in carrying out his or her tasks.



□ Our business dealings with U.S. and other government agencies are subject to laws and regulations that are more stringent than those that apply to standard commercial transactions. Employees having dealings with these agencies are expected to become familiar with the applicable laws and regulations and to act in accordance with them. Failure to comply with these laws and regulations can subject employees not only to disciplinary action by the Company, but also to personal civil or criminal liability.



□ In the course of performing their duties, employees may have access to confidential information concerning other employees such as information appearing on job applications, salary information or other confidential information concerning that employee. This information will be treated as confidential, used only for proper purposes and divulged only to those having a "need to know" it.



□ We will not ask or encourage employees or prospective employees to divulge confidential information to which they may have had access as a result of associations with other companies.



□ The Company's tools, equipment, facilities and inventories, as well as its know-how, technology, market information and business plans, are all valuable assets. It is the responsibility of every employee to preserve and protect the Company's assets and confidential business information and to see that they are not misused or made available to outsiders in any fashion that could be detrimental to the interests of the Company.



□ No Sealed Air employee will place himself or herself in a position where his or her loyalty to the Company becomes divided due to a financial interest in a competitor, supplier or customer.



□ Sealed Air employees may entertain customers, suppliers and other persons, and may be entertained by such persons, in a manner that is customary and necessary for conducting business and is consistent with the Company's policies. However, employees may not entertain or be entertained by U.S. or other government officials unless expressly permitted by applicable law.



□ Sealed Air forbids its employees to make illegal bribes or kickbacks intended to secure favored treatment for the Company from customers, suppliers, domestic or foreign government officials or others. This rule also applies to the use of intermediaries to make such payments. An employee who finds himself or herself in a situation calling for payments which might be construed as illegal bribes or kickbacks should consult with his or her supervisor and corporate counsel prior to taking any action.



□ Sealed Air forbids the giving of any gratuity, whether in cash or property, to any government official in the United States or in any other country in which local law prohibits the giving of such gratuities. While we do not encourage them because they may create an appearance of impropriety, modest gratuities and tips to foreign government officials, representatives of customers, suppliers, or other persons whose duties are essentially ministerial or clerical in nature may be made only if such gratuities and tips do not violate local laws and if they are given solely for the purpose of expediting action required to be taken by such individual rather than for the purpose of influencing such individual to make a decision that he or she is not required to make.



□ The acceptance of gifts from suppliers, customers or others having business dealings with the Company may involve a conflict of interest or create an appearance of impropriety. Accordingly, Sealed Air employees shall not accept any cash payments from persons having a business relationship with the Company. Employees may accept reasonable non-cash gifts having a token or nominal value from any company or individual which has, or might have, a business relationship with the Company provided that they are not intended and cannot be construed as a bribe, kickback or other form of compensation to the recipient.



□ The Company makes no political contributions anywhere in the world. However, the Company encourages its employees to exercise their individual rights to be active in local or national politics.



□ Employees are reminded that it is a violation of United States law to buy or sell Sealed Air stock on the basis of material information not available to the public.



□ It is our policy to comply with the laws that affect the conduct of our business. It is the responsibility of each employee to have a familiarity with the principles of law that affect the performance of his or her job, to assist the Company in complying with the law, and to seek the advice of the employee's supervisor or a member of the Law Department if the employee is uncertain of relevant legal principles.



□ Sealed Air's Law Department provides legal advice to the Company on matters affecting the Company's business. Employees who deal with the Law Department are expected to provide to it all facts that are necessary to enable the Law Department to render a legal opinion on the matter on which its advice is sought. If, based on those facts, the Law Department advises that a proposed course of action is unlawful, questionable or not consistent with this Code of Conduct, the employee to whom that advice is given must act in accordance with that advice and advise his superior of that advice. Failure to comply with this or any other provision of the Code of Conduct may subject an employee to disciplinary action, up to and including possible termination of employment, and sometimes also to personal civil or criminal liability.

We trust that we can count upon all of our employees to maintain the excellent reputation of our company.

Thank you for your support.

*T. J. Dermot Dunphy*

T. J. Dermot Dunphy  
President

January 1991



## Sealed Air Corporation: Globalization and Corporate Culture (A) (Abridged)

*Perhaps the most critical question we face at Sealed Air is how to grow the company without adding layers of management. We currently have about as many layers as we're comfortable with. Those of us who will manage the company into the next century face a different challenge than the last generation of managers. Their challenge was to establish Sealed Air internationally. Ours is to grow the company without becoming centralized and bureaucratic. We're in 25 countries now. In ten years, we'll be in 50. I think the only way to do it is to create a company that manages itself. By spreading and strengthening our corporate culture, I think we can achieve that.*

—William V. Hickey, President and COO, Sealed Air Corporation

In the spring of 1997 as Bill Hickey looked to the future, he wondered whether the culture he associated with Sealed Air was as deeply embedded in the organization as it was in his own thoughts and approach to management. If it was, his vision of growing without adding layers might become a reality. If not, then moving forward with his vision might actually damage the company.

Hickey had become Sealed Air's president and COO in late 1996, after long-term CEO Dermot Dunphy assumed the title of chairman. Hickey believed that a strong, healthy culture enabled a company to perform well with fewer staff, less structure, and less overhead. He was proud of the "Sealed Air way," which he thought had made a substantial contribution to the company's past growth and profitability. But it was more than that. He saw the approach as very "human"—it was what made Sealed Air an enjoyable place to work.

Hickey, who had joined Sealed Air in 1980, viewed the company's culture as quite unusual. Sealed Air's numerous acquisitions had exposed him to the cultures of many different companies, and through overseas ventures he had become acquainted with various societal cultures. Pete Funkhouser, a senior vice president and long-time head of Sealed Air's international business, was acutely aware of the dissonance between Sealed Air's culture and certain regional cultures of the world. "By and large," he noted, "We have no difficulty perpetuating the culture in the United States, but outside the United States it's difficult to inculcate. The raw material is different. People view life differently. They are brought up differently."

### *Background on Sealed Air Corporation*

Founded in 1960, Sealed Air manufactured and sold a wide variety of protective packaging materials and systems. By 1997, it had become one of the world's premier protective and specialty

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packaging companies. Although packaging products were sometimes thought to be commodities, Sealed Air based its whole approach to product development and sales on the philosophy that “there is no such thing as a commodity.” The company saw itself not simply as a seller of packaging products, but as a professional provider of “packaging solutions.” The salesperson’s role, therefore, was to work with customers in a consultative way to find cost-effective solutions to their packaging problems. Sealed Air’s professional approach to the customer, known within the company as “consultative selling,” had become a company hallmark.

To assist customers in solving their packaging problems, Sealed Air sold a wide range of packaging products, more than 90% of which included proprietary features not available from a rival.)<sup>1</sup> These products were marketed to the industry under a variety of registered names and trademarks. Among them were Jiffy™ mailers and Bubble Wrap®—the sheets of plastic bubbles that children love to pop. Sealed Air also made Instapak® foam-in-place packaging systems used by computer and electronics makers; Aircap® and PolyCap® Plus air cellular cushioning materials; Trigon tamper-evident bags for transporting currency; Cell-Aire® polyethylene foam; PolyMask® and Bubble Mask® coated masking materials; and Kushion Kraft® cellulose wadding and Dri-Loc® and Pad-Loc™ absorbent pads for meat and other food products.

Over the years, Sealed Air’s revenues had grown consistently, and the firm had delivered an outstanding return to its shareholders. In 1996, the New Jersey-based company’s revenues were nearly \$790 million, a 9% increase over the previous year and more than a hundred-fold increase over 1971, when Dunphy had become CEO. Since 1990, the annual return on Sealed Air’s common stock averaged nearly 40%, a return substantially in excess of the S&P 500. Between 1990 and 1996, the company’s operating profit before depreciation and amortization increased from \$78.5 million to \$152.9 million. (See Exhibit 1 for summary of Sealed Air’s financial performance.)

Historically, Sealed Air had grown both organically and through acquisitions designed to extend its technological and geographic reach. Strongly committed to innovation, Sealed Air regularly spent about 2.0% of sales on research and development, compared to a 1% average for the packaging industry. Since 1976, the company had made more than 25 selective acquisitions of varying size. Management viewed each acquisition as an opportunity for rejuvenation. Said Dunphy, “our acquisitions act as catalysts for organizational change. Our acquisitions are all integrative, none of this: ‘we love your management, we’ll leave you alone, you’ll like our benefits.’ Every time we make an acquisition we re-evaluate *everyone* and put the best people in the best places.”<sup>2</sup>

In the late 1980s, Sealed Air had a great deal of cash on hand. Finding no reasonably priced acquisition opportunities, and with certain patents expiring and competition increasing, management launched a World-Class Manufacturing program (WCM). Aimed at increasing efficiencies and reducing waste, WCM involved a radical reorganization and simplification of the entire manufacturing operation. A year later, in 1989, the company undertook a major financial restructuring. As part of this restructuring, referred to as a leveraged recapitalization, Sealed Air borrowed over \$300 million dollars, combined these proceeds with internally generated funds, and paid shareholders a \$40 special dividend.<sup>3</sup>

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<sup>1</sup> Matt Krantz, “Packing Punch: How Sealed Air Keeps Its Edge,” *Investor’s Business Daily*, October 22, 1996.

<sup>2</sup> As quoted in Karen Wruck, “Financial Policy, Internal Control, and Performance: Sealed Air Corporation’s Leveraged Special Dividend,” *Journal of Financial Economics*, volume 36, 1994, pp. 157–192.

<sup>3</sup> Ibid.



The recap was considered a bold and somewhat dangerous move by many. The total market capitalization of SAC's common stock was only \$370 million, and the stock price was just over \$45. (By 1997, the stock had split twice.) Thus, the company paid out the vast majority of its value in the form of a dividend to shareholders, leaving it highly leveraged. Sealed Air's management saw the payout as the best use of the company's cash flow and, at the same time, similar to an acquisition in its power to develop the organization. According to Dunphy, "The recapitalization, in addition to its financial objectives, was planned as a reinforcer and re-energizer of a change in strategy and culture."

Shortly after the recap, the company distributed to all employees a small laminated card in the shape of the number "1" listing the company's top priorities. (See *Exhibit 2*.) Crafted by Dunphy, the card reemphasized Sealed Air's long-standing focus on the customer, but it also introduced a shift in financial emphasis from earnings per share to cash flow and included World Class Manufacturing among the list of priorities. At this time, there was also a broadening of stock ownership and profit sharing among the employees. In the 1990s, Sealed Air returned to its strategy of growth through acquisitions, but placed more emphasis on retaining substantial debt in its capital structure.

### *Building a Global Company*

Sealed Air had operated internationally for several decades. Its first foray outside the United States was in 1972 with a manufacturing operation in England. By the mid- 1970s, the company had established a presence in continental Europe, and in the late 1970s, opened an Instapak® sales office in Tokyo. It was not until the early 1990s, however, that Sealed Air began to think in terms of being a truly global company—with demonstrated worldwide market leadership in packaging technology and solutions. To achieve this aim, management recognized that the company would have to think of itself, its customers, and its products on a global basis. Indeed, by 1996, the company had 48 plants and 4,200 employees in 25 countries. The international business division accounted for 39% of net sales, and it was anticipated that, by 2000, non-U.S. operations would account for more than 50%.

In 1992, Sealed Air replaced its geographic structure, in which country managers reported to a head of international business, with a divisional structure based on its three major product classes: (1) the Packaging Products Division (PPD) which handled Bubble Wrap® and other plastic air-cushioning lines; (2) the Engineered Products Division (EPD) which managed the dominant Instapak® custom packaging systems sold to computer, electronics, medical, and other equipment makers; and (3) the Food Packaging Division (FPD) which handled Dri-Loc® and Pad-Loc™ absorbent pads as well as other products used in food packaging. Heads of all three divisions were based in the United States and English was made the company's official language. New information systems were introduced and a series of initiatives launched to step up the transfer of knowledge and experience across the company's operations worldwide.

The new structure generated some concern among Sealed Air's international managers, particularly those who had previously managed specific countries or regions. Though the new structure was intended to support a decentralized approach to globalization, some thought the actual effect was toward centralization and Americanization. Certainly, country managers in Europe felt that their authority was reduced, although they acknowledged that the new divisional structure made it easier for information and contacts to flow across country borders.

### *Creating a Seamless Culture*

Sealed Air's management had always paid attention to the company's culture, but after the divisionalization, they sensed a need to do more. Recognizing that structural changes alone were not

enough, they began to view the creation of a seamless corporate culture as a key to effective globalization. Sealed Air's culture was based on an approach to people, both inside and outside the company, that management felt would lead to good business results while at the same time fostering an environment of mutual respect and dignity. Horst Tebbe, chief financial officer and vice president for emerging markets, described the culture as "very strong and very remarkable. Its bedrock is a real regard for each individual, for trust between individuals, and for truth and fair dealing."

The culture had its origins in the late 1960s. According to a former vice president,

Sealed Air developed a strong cultural identity very early. The foundation for this culture was to a large degree the product of Ted Bowers (then CEO) and Bill Danforth (originally vice president for sales and marketing, subsequently vice president for operations) and their very different personalities. Ted was a charismatic, big idea guy who created excitement and made everyone feel good. Bill, on the other hand, was a critical perfectionist who pushed employees relentlessly. The result was a high-energy environment extremely attractive to young people looking for a challenge. From the beginning we were able to choose the people we wanted.

Bowers was credited with exceptional hiring skills. "The specification he established," said another former officer, included "talent, energy, integrity, promotability, and ability to grow and change."

The culture developed and achieved a more robust expression under Dunphy, who joined Sealed Air as president and CEO in 1971. Dunphy felt strongly that the non-quantifiable attitudes and habits that guided employees' behavior had a profound influence on the organization. He saw these habits both as valuable in and of themselves, and also as contributors to a sense of ownership, entrepreneurship, and accountability among employees. (See Exhibit 3 for Dunphy on culture.)

Thus, Dunphy and the other members of Sealed Air's management team made consistent, deliberate efforts to foster trust, cooperation, and mutual respect. This culture was intended not only to permeate the organization, but also to carry through to relationships with customers, suppliers, and competitors. Reflecting management's belief that "virtue was a competitive advantage," Sealed Air had rejected commonplace practices such as slamming the competition or poaching rivals' employees to gain proprietary information.

For Hickey, Sealed Air's culture began with the company's code of conduct. More than a list of rules and regulations, the code represented the company's "non-negotiable, inviolate principles" or the basic terms of membership in the organization. (See Exhibit 4 for the code.) As Hickey described it, "the code was supported by a set of values like openness and trust and how we think about work life, hierarchy, and relating to customers." A basic precept was the open door that said, "anyone can talk to anyone." Open communication and consensus-decision making were the norm. Noted Hickey, "if people failed to succeed at Sealed Air, it's often around sharing information. If you're a control freak, it's a serious disadvantage to your career."

Managers also viewed hiring and career development practices as an integral part of the culture. Because selecting and developing people was seen as a core management function, the company had no human resources or personnel department. This left hiring, firing, and compensation decisions with line managers. (A small administrative department handled benefits and payroll related work.) Preferring to operate on the basis of trust, Sealed Air did not use formal employment contracts. According to Hickey, there was an implicit contract that employees would be treated fairly in terms of compensation and, if things did not work out, in terms of severance.

Management was proud that Sealed Air had never downsized or undertaken mass lay-offs. Dunphy explained that in the packaging industry, if management did its job, such actions should not be necessary, although he recognized that other industries might be different. Dunphy also believed

the company should try to offer employment and not just “employability” to those who worked hard, innovated, and adapted. Though touted as the basis of a new social contract between employers and employees, “employability” seemed to Dunphy a poor substitute for employment. While hard work was encouraged, Dunphy did not want Sealed Air employees to become “workaholics.” He spoke frequently about the importance of family in each employee’s life.

Related to the company’s lack of a human resources department was its constant battle against adding management layers and burgeoning bureaucracy. “Do more with less” was a frequently-invoked precept that was reflected in Sealed Air’s practices of keeping the organization flat; job descriptions, loose; and the number of rules and policies, minimal. “Our philosophy is that hierarchy has little meaning at Sealed Air,” explained Hickey. Nevertheless, bureaucratic tendencies had to be constantly checked. “We fight bureaucracy everyday,” he said, “for example, we continually discourage excessive memo writing and favor voice mail over e-mail.” Hickey also reported that in order to “reinforce the culture,” spans of control were kept broad, on the order of 10–15 people. The company had a modest corporate headquarters office and kept a close eye on costs, often expensing items that would be capitalized in other companies.

Open communication with investors and willing acceptance of investor discipline was another integral part of Sealed Air’s culture. The company operated without management employment contracts, golden parachute arrangements, or any form of takeover deterrent. Dunphy explained, “While I want Sealed Air to remain independent, I have an aversion to shark repellents. They protect only the managers. We have no employment contracts, no golden parachutes. When you deliver value for shareholders you don’t need to go around protecting your job. I like to be exposed to the market place—the discipline is important.”<sup>4</sup>

Sealed Air’s management emphasized employee equity ownership at all levels of the organization. With about 25% of the company’s defined contribution retirement benefits invested in company stock, virtually all U.S. employees were shareholders. Moreover, contingent stock awards were an important part of the compensation package for certain key managers. In addition, as a way of motivating employees and aligning their interests with shareholders, the company offered profit sharing, which could amount to as much as 10% of annual compensation.

Dunphy felt strongly that employee stock ownership improved company performance. He explained, “Stock ownership motivates managers. I can’t prove it, but I believe it. But people have to hold onto the stock for it to work. At many firms, people cash in when it vests, but at Sealed Air people don’t sell. I take a paternalistic, intrusive approach when employees want to sell their shares. Selling stock defeats the purpose. Of course, people can sell for a good reason—college education for their kids etc., but I want them to keep 70% of everything they’ve been awarded.”<sup>5</sup> Management felt that the optimal amount of employee ownership was 20% of the common stock. In Dunphy’s view, “I don’t want more than 20% management ownership—we don’t want to be an employee-owned firm. We want to be publicly owned, and our employees have to take care of the shareholders who are the owners.”<sup>6</sup> In 1997, employees comprised about 15%–16% of the investor base.

Instilling the Sealed Air culture was an important part of the integration process for acquired companies. According to Katherine White, assistant general counsel and corporate secretary, the process of turning a company into “a Sealed Air kind of place” varied from situation to situation, but typically involved a range of issues including “the ethical issues; the way we purchase; the way we

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<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

deal with customers; the way our plants operate; the kind of people we hire and the credentials we look for; the style of management—we don't tolerate autocratic, oppressive, abusive people who just can't change. That decisions have to be cleared through a group is frustrating to some."

If a company was to be integrated, Sealed Air tried to move quickly to commingle the organizations and establish person-to-person connections with members of the new group. Someone at Sealed Air was designated as a "buddy" for each key person in the acquired organization. The integration process was aimed at rationalizing the workforce in a way that was both fair to employees who were let go, and quickly gave remaining employees a sense of belonging.

### *Assessing the Culture*

Despite their efforts to promulgate and support the culture, Dunphy and Hickey were not sure how deeply into the organization these ideas had penetrated. For example, the process of integrating Trigon, a New Zealand-based food packager acquired in January 1995, had highlighted the difficulties. Hickey noted, "It's tough to bond over 12,000 miles across the Pacific."

The issues at Trigon raised a more general concern that was highly relevant to Sealed Air's efforts to globalize: how well the Sealed Air way traveled across borders. Hickey felt that some aspects of Sealed Air's culture were particularly difficult to transfer. Trust, he felt, was more difficult to "export" than consultative selling. Funkhouser saw the regional cultures of the world as the number one barrier to exporting Sealed Air's culture. He cited a few such cultural tensions:

- the 1989 recapitalization, while well accepted in the United States and a proven success, was still considered "insane" by some in Europe who could not accept that their company would intentionally add so much debt to its capital structure;
- price fixing, a subject of "paranoia" in the United States was not a major concern in Europe where many considered it acceptable to have lunch with a competitor to discuss prices;
- Sealed Air's World Class Manufacturing program involved greatly increasing the input from hourly workers, an approach which had been thriving in the United States since the late 1980s. In Europe, however, it appeared that there was resistance to accepting worker's input and opinions;
- the sales function was a respected professional activity in the United States, but in a number of other countries it was seen as a second-rate job which carried little social prestige;
- asking for orders, a normal part of selling in the United States, was considered a breach of etiquette in other countries, for example Japan;
- Sealed Air's code of conduct, considered part of normal behavior in the United States, presented problems elsewhere. According to Funkhouser, "An inability to deal with the code of conduct and the culture surrounding it is a major reason people get dismissed overseas."

In view of Sealed Air's plans for continued growth and its increasing investments overseas, Dunphy and Hickey decided to take a close look at the state of Sealed Air's culture in its operations around the globe. As part of that effort, researchers interviewed Sealed Air employees in a variety of locations and across a wide range of positions at seven locations in the United States, Europe, and Asia. After reading the reports, Dunphy and Hickey wondered whether they should reconsider what it meant to create a seamless global culture and what they should do going forward.

Exhibit 1a Selected Data on Sealed Air Corporation 1985-1996 (\$ in millions)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	CAGR
<b>Data from Financial Statements</b>													
Sales	163.22	206.85	302.69	345.81	385.04	413.27	435.13	448.06	451.63	519.19	723.12	780.61	14.20%
Operating Profit before Depreciation	30.42	34.73	46.07	52.25	67.80	78.51	81.79	85.26	89.01	98.85	129.35	152.93	15.79%
Depreciation and Amortization	5.55	6.71	9.50	9.87	10.14	11.08	12.31	14.07	14.90	14.92	20.47	22.86	
Net Income	14.02	15.55	20.40	25.30	37.29	11.38	16.18	20.77	27.37	31.84	52.73	60.32	15.84%
Working Capital	46.69	57.34	63.50	84.86	34.12	22.32	18.50	23.42	39.89	15.77	41.95	-38.31	
Total Assets	148.02	167.63	228.17	256.48	220.07	225.47	274.88	268.26	279.82	331.12	443.55	457.12	11.01%
<b>Discretionary Expenditures</b>													
Capital Spending	7.91	14.52	15.13	13.92	13.82	12.06	-5.35	11.23	22.47	17.47	21.08	17.02	
Research and Development	4.76	5.24	5.58	6.96	6.27	7.01	9.88	9.41	9.17	10.91	14.60	15.45	
Cash Acquisitions in Excess of Divestitures and Sale of Property Plant and Equipment	5.48	0.00	4.67	9.79	0.50	0.00	-0.32	0.00	1.17	15.27	27.71	30.03	
<b>Other Measures<sup>a</sup></b>													
Number Employed (000s)	1.60	1.65	2.23	2.37	2.40	2.40	2.77	2.72	2.75	3.70	3.90	4.20	9.17%
Profit Margin	8%	8%	7%	7%	2%	3%	4%	5%	6%	6%	7%	9%	
Return to Common Stockholders	50.02	15.45	-11.93	30.87	79.32	22.69	60.95	11.05	25.87	14.83	54.48	48.68	
Return on S&P 500	42.86	8.03	-16.86	18.37	32.60	-21.41	50.55	23.37	11.14	-3.60	54.05	35.12	
Stock Value	Na	na	285.83	372.46	171.12	219.45	429.45	482.78	638.31	724.60	1183.90	1769.94	22.46%
Firm Value	93.02	110.38	308.84	391.43	472.68	478.53	683.20	708.06	816.37	879.89	1333.70	1980.84	31.36%

Source: Standard &amp; Poor's Compustat data via Research Insight™.

<sup>a</sup>Firm Value is estimated as the sum of the book value of Sealed Air's long-term debt (including the current portion), the book value of its preferred stock, and the market value of its common stock at year-end.

**Exhibit 1b** Net Sales by Class of Product 1992–1996 (\$ in thousands)

	1996	1995 <sup>a</sup>	1994	1993	1992
Engineered products	\$284,974	\$252,535	\$208,363	\$180,508	\$176,541
Surface protection and other cushioning products	368,692	333,519	234,587	204,645	200,396
Food packaging products	106,473	103,866	56,444	51,023	52,727
Other products	29,473	33,200	19,792	15,518	16,394
Total	\$789,612	\$723,120	\$519,186	\$451,694	\$446,058

Source: Sealed Air Corporation Annual Report 1996.


<sup>a</sup>Includes the operations of Trigon Industries Limited from the date of its acquisition in January 1995.**Exhibit 1c** Selected Information by Major Geographic Area 1994–1996 (\$ in thousands)

	Net Sales	Operating Profit	Identifiable Assets
<b>1996</b>			
United States	\$504,449	\$95,375	\$213,223
Europe	204,474	25,696	156,242
Asia/Pacific and Other	113,687	9,001	97,654
Eliminations	(32,998)	--	--
Consolidated	\$789,612	\$130,072	\$467,119
<b>1995</b>			
United States	\$464,820	\$75,828	\$213,099
Europe	188,558	24,617	153,563
Asia/Pacific and Other	94,864	8,435	76,883
Eliminations	(25,122)	--	--
Consolidated	\$723,120	\$108,880	\$443,545
<b>1994</b>			
United States	\$385,484	\$65,884	\$185,510
Europe	107,990	13,882	116,800
Asia/Pacific and Other	44,681	4,143	28,807
Eliminations	(18,969)	--	--
Consolidated	\$519,186	\$83,909	\$331,117

Source: Sealed Air Corporation Annual Report 1996.

Note: Net sales shown for the United States, Europe and Asia/Pacific and Other include transfers to other geographic areas as follows: United States, 1996—\$22,888,000; 1995—\$18,412,000; 1994—\$14,850,000; Europe, 1996—\$4,781,000; 1995—\$2,398,000; 1994—\$1,368,000; Asia/Pacific and Other, 1996—\$5,329,000; 1995—\$4,312,000; 1994—\$2,751,000.

Exhibit 2 Sealed Air Priority Card



## PRIORITIES

- 1** Putting Our Customer 1st
- 2** Cash Flow
  - Increase Sales & Margins
  - Less Inventory
  - Faster Collections
  - Doing More With Less
- 3** WCM
  - Employee Involvement & Training
  - Team Problem-Solving
  - Faster, Simpler Business Processes
  - TQC, JIT, TMU, TPM & SEE \*
- 4** Innovation
  - New Products
  - Global Expansion
  - Specialty Packaging
  - Build on Company Skills
- 5** E.P.S.

\*WMC: World Class Manufacturing  
 TQC: Total Quality Control  
 JIT: Just-in-Time  
 TMU: Total Material Usage  
 TPM: Total Preventative Maintenance  
 SEE: Safety and Environmental Excellence

## OUR CORPORATE MISSION

Worldwide technology and market leadership in protective and specialty packaging through people committed to doing their jobs a little better every day.

## OUR CODE OF CONDUCT

Fully in effect...  
all the time...  
everywhere.

Source: Company document.

**Exhibit 3** Text of remarks on Sealed Air Culture by T. J. Dermot Dunphy, President and Chief Executive Officer, Sealed Air TechShare Conference, Florham Park, New Jersey, April 1996

The Oxford Dictionary defines culture as **“the distinctive customs, achievements, products, outlook, etc., of a society or group; the way of life of a society or group.”** For our purposes, the “society or group” is a company.

Without a distinctive culture, a company can easily lose its direction. Written policies and procedures are important, but when people don’t have the time or opportunity to check the policies or procedures, they rely on their instinctive sense of what should be done at that particular company. A written strategy is important, but it is the intuitive understanding of that strategy by a company’s people that makes it effective.

In a strong culture, objectives and values are blended together. A strong culture assures the effective implementation of a strategy and reduces the costs associated with complex organizations and legalistically documented procedures.

A culture is changed by growth, by acquisitions, by globalization and by the sheer passage of time. Change is healthy and all of the foregoing changes can enhance and improve a culture, but only if the organization’s leaders protect the core, the heart of the culture, the instinctive sense of “how we do things around here.”

Culture is as important to a company as instinct is to an animal.

Sealed Air people believe they share a distinct and strong culture, expressed in a set of common objectives and common values.

The Company’s mission is stated in one sentence on a “Priority Card” typically found in the pocket or displayed on the desk of all Sealed Air employees worldwide. The Company’s basic strategic principles were first stated in writing in the 1980 Annual Report and have remained constant from that time forward.

Our common objectives are rooted in common values that go back to the early days of the Company. Sealed Air’s culture was not crafted by consultants in response to a management fad. Rather, it evolved through the interaction of people drawn together by a need for meaning in their work lives beyond a source of income. The bedrock of our values is our Code of Conduct.

We have woven our Company’s strategy into a truly working Code of Conduct, thus blending our common objectives into our common values.

Everything a Sealed Air employee does on the job is ultimately related to satisfying a customer need within the framework of our Code of Conduct. Our advancement and job security, both as a company and as individuals, depend on our ability to satisfy properly the needs of our customers.

A statement directly reflecting the No. 1 Priority on our Priority Card—

We expect each employee to practice and promote high professional standards in carrying out his or her tasks and in his or her relationships with other employees, suppliers, customers and stockholders.

We seek the high road in everything we do.

Consistent with these standards, employees are expected to treat each other with dignity and respect.

The most basic of our common values—



We are a company with a sense of balance between the needs and importance of individuals, on the one hand and the Company on the other hand. There is never a moment's doubt as to the priority of family needs when anniversaries, graduations, family celebrations or family illnesses or problems arise. Other Sealed Air people will step in and deal with the Company's needs while their colleague is dealing with an important personal need.

Hard work and dedication to the Company's success abound. We are a committed people because success belongs to the committed, but we are never obsessive workaholics because we also value a balance in our lives. We value our families.

Pride in being the best at what we do motivates creativity and effort. Arrogance is diligently avoided. We are a people who cultivate the humility that permits learning, change and renewal.

Civility and compassion characterize our attitudes toward each other.

We are an organization built on **TRUST**—no employment contracts for top management, no parachutes, no “poison pills.” Within our organization we seek out and cultivate leaders who inspire trust by the way they act.

We treasure a true community of interest between employees and stockholders. More than 50% of us globally own Sealed Air stock. The percentage will increase as employee stock ownership becomes more accepted in more of the countries where Sealed Air does business. We think like owners, because we are owners. We spend and invest the Company's money like our own money because, in a real sense, it is.

Sealed Air has a strong tradition of consensus decision-making—a process of syndicating ideas, which improves their quality and facilitates their implementation.

The sensitive balance between centralized and decentralized authority in decision-making is openly and continuously discussed throughout the organization.

An organizational structure akin to a flat pyramid has been encouraged for over twenty years. We had a natural inclination to team management before it became fashionable. Teams leverage the talent of their individual members. Broad spans of control and few levels of management increase communication and encourage initiative. Managers with broad spans of control have no time for second guessing or micro-managing competent people.

At Sealed Air we have always strived to reward and recognize all of our innovators without causing them to climb the vertical hierarchy of increasing management responsibility that, unfortunately, in so many American companies is the only means for major reward and recognition, but frequently turns brilliant scientists into bureaucratic paper shufflers.

We think of ourselves as entrepreneurs—people who can get new things done, with limited resources and minimal direction. People who can do **MORE** with **LESS**!

We are an organization that strives to seek out and nurture the creativity that exists in every individual Sealed Air person, recognizing heroes and winners, while encouraging those who may have tried and failed. Great successes are sometimes built on the foundation of disappointing failures.

We avoid formal organization charts, job descriptions, salary ranges or job classifications to permit individuals to expand their ability to contribute to the Company's mission, to respond to flexible MBO's, to work in teams as needed and to be recognized, rewarded and compensated without bureaucratic restrictions.

The Company's management is committed to doing their job in a way that will never create the need for company-wide "downsizings." We are a people who believe in a covenant of loyalty between a company and its employees—a job well done and a willingness to learn and change in response to Company needs earns recognition, reward and security. To keep this covenant, however, we must continue to do **MORE** with **LESS**!

We challenge the "status quo," as we did in the 1989 Recapitalization and create and welcome change, confident in our shared feeling that we can manage whatever comes our way.

Our common objectives spelled out on our Priority Card, and our strategic principles are intuitively understood by the members of our organization. They are more than common objectives; they blend into our foundation of common values. Broad communication obtains commitment and understanding—constantly reinforced. We live the strategy.

The Company's growth goals will vary with respect to different time periods, products, markets and geographical regions. However, the Company is totally committed to growth necessary to fulfill its leadership strategy, and, importantly, to fulfill the career ambitions of its people. In this respect, the Company's historic growth rate of close to 20% annually speaks for itself.

Some of the comments I have made on fighting the bureaucracy, on teams and so on might appear to some of you who have a background in professional management to be a little loose. Don't be concerned. We have a strong culture and a strong intuitively understood strategy. Once you have a strong culture, a strong strategy and you add tight financial controls, then you can give people the freedom to be creative and cut out a lot of the bureaucracy.

Ultimately, it is this orchestration of the balance between control and entrepreneurial creativity that is the basis of any kind of success. And there's no simple answer to that. We struggle with it every day and are willing to be judged by the record.

Do we sometimes fail to live up to the standards I have spelled out here this morning? Of course we do; but we recognize our mistakes, learn from them, and re-focus our efforts. How we respond to our mistakes is a vital part of our culture. Of all that I have said this morning, the most important is to maintain the humility that permits learning, change and renewal.

And there are parts of the company—divisions, departments, countries—where my words this morning may not fully reflect reality. Yes, but we are all working together to refine our global culture. Not just my culture, Bill Hickey's or the Officers'—but yours and mine . . . "the way we do things around here"—*our* culture.

To close my talk this morning, I will ask you to focus on something else that's deeply embedded in our culture: The idea that there is no such thing as a commodity at Sealed Air. We are not a conventional packaging company; we are a very special packaging company. From the early days of its founding, Sealed Air has focused on differentiating its products and selling solutions to customers' packaging problems.

The product differentiation part of the formula lies in your hands. "The best safeguard of competitiveness is technological differentiation *that offers clear value advantages to the customer.*"

Only in this way can we maintain some measure of control over our destiny, and the desire to do just that—control our destiny—is a critical part of our culture. We believe our destiny, quite simply, is to be the best at whatever we choose to do. And looking over this room of almost 100 of our top technical people worldwide, I know that our destiny is in safe hands. Thank you.

#### Exhibit 4 Code of Conduct

Sealed Air Corporation has a reputation for conducting its business on a highly ethical level. It is important that we continue this record of integrity in the future.

Each and every employee of the Corporation and its subsidiaries throughout the world is responsible for the maintenance of our fine reputation. We expect that each employee will support the Company's principles of business ethics and behave in a manner consistent with these high standards. We also expect that no employee in a supervisory position will instruct a subordinate to violate the ethical guidelines of the Corporation.

Each of our employees is expected to comply with the law, but our standard of business ethics goes beyond compliance with law. No list of rules can substitute for the exercise by anyone who represents our company of basic morality, common decency, high ethical standards and respect for the law. If an employee is in doubt about the acceptability of a particular course of action, the following test should be applied: Assuming full public disclosure of the action, should both the employee and the Company feel comfortable from a moral, ethical, and legal standpoint? If the answer is "Yes," then the action is very probably consistent with our corporate philosophy.

If you are ever in doubt as to the appropriate legal or ethical behavior in a situation, you should seek the advice of your supervisor, and, if you are not able to come to a satisfactory answer in those conversations, you should feel free to contact the president of the Company or a member of the Company's Law Department in Saddle Brook, New Jersey (telephone: XXX-XXX-XXXX).

A number of states and other jurisdictions have adopted so-called "whistleblowing" laws. The Company believes that communication and "whistleblowing" perform a valuable function in maintaining high ethical standards of conduct and reducing the risks to the Company, its employees and stockholders from conduct that does not meet the Company's high standards. Accordingly, in the unlikely event that you become aware of circumstances that appear inconsistent with our Code of Conduct or you are instructed by a supervisor or manager to act in a manner inconsistent with our Code of Conduct, you should review the matter with your supervisor, and, if the matter is not resolved as a result of those discussions, you should telephone a member of our

Law Department or the president of the Company to explain the facts. If the facts reveal that such a violation may have occurred, the Company will investigate the situation and take appropriate action. The Company is committed to protecting responsible employees who report violations of the Code of Conduct to management from reprisals or retribution. On the other hand, an employee who participates in or conceals a violation of the Code of Conduct may be subject to disciplinary action, including the possibility of termination of employment.

The guidelines set forth below cover some, but by no means all, of the situations that might arise. These guidelines apply worldwide to Sealed Air Corporation and each of its subsidiaries. Periodically, the Company may elaborate upon particular issues in separate policy statements and may adopt additional or amended guidelines.



☐ Sealed Air is an Equal Opportunity Employer. As a U.S. government contractor, we are also subject to the requirement that we maintain and comply with our Company's Affirmative Action Program. We expect all Sealed Air employees who are responsible for making or influencing hiring, promotion, or other career decisions for the Company to support our equal employment opportunity and affirmative action commitments.



☐ Everything a Sealed Air employee does on the job is ultimately related to satisfying a customer need within the framework of our Code of Conduct. Our advancement and job security, both as a company and as individuals, depend on our ability to satisfy properly the needs of our customers.



☐ We expect each employee to practice and promote high professional standards in carrying out his or her tasks and in his or her relationships with other employees, suppliers, customers, stockholders and other persons having dealings with the Company.



☐ Consistent with these standards, employees are expected to treat each other with dignity and respect. The responsibility to treat fellow employees with dignity and respect is particularly

strong in the case of those employees whose position in the Company may enable them to influence the job security, compensation, promotion or career of other employees. This responsibility includes, among other things, the responsibility to avoid conduct constituting sexual harassment and conduct demeaning to a person's race, religion, creed or national origin.



□ We place a premium on honesty and fair dealing in relationships with and among our employees and in conducting our business activities. Employees are expected to be truthful in dealing with others. All reports or responses to questions provided within the organization or to outsiders (customers, suppliers, financial institutions, governmental agencies of all kinds, other organizations and/or people with a need or right to receive information) are expected to be truthful, accurate and not misleading in any way.



□ Our products and services will be sold on their merits. We will compete vigorously and fairly in the markets we serve. We will afford our competitors the degree of respect that we expect them to afford us.



□ Employees will not use improper or illegal methods to obtain information regarding our competitors.



□ We are committed to providing safe working conditions for our employees, to promoting the safe design, use and handling of our products and to complying with laws relating to the protection of the environment. Each employee is expected to promote these goals in carrying out his or her tasks.



□ Our business dealings with U.S. and other government agencies are subject to laws and regulations that are more stringent than those that apply to standard commercial transactions. Employees having dealings with these agencies are expected to become familiar with the applicable laws and regulations and to act in accordance with them. Failure to comply with these laws and regulations can subject employees not only to disciplinary action by the Company, but also to personal civil or criminal liability.



□ In the course of performing their duties, employees may have access to confidential information concerning other employees such as information appearing on job applications, salary information or other confidential information concerning that employee. This information will be treated as confidential, used only for proper purposes and divulged only to those having a "need to know" it.



□ We will not ask or encourage employees or prospective employees to divulge confidential information to which they may have had access as a result of associations with other companies.



□ The Company's tools, equipment, facilities and inventories, as well as its know-how, technology, market information and business plans, are all valuable assets. It is the responsibility of every employee to preserve and protect the Company's assets and confidential business information and to see that they are not misused or made available to outsiders in any fashion that could be detrimental to the interests of the Company.



□ No Sealed Air employee will place himself or herself in a position where his or her loyalty to the Company becomes divided due to a financial interest in a competitor, supplier or customer.



□ Sealed Air employees may entertain customers, suppliers and other persons, and may be entertained by such persons, in a manner that is customary and necessary for conducting business and is consistent with the Company's policies. However, employees may not entertain or be entertained by U.S. or other government officials unless expressly permitted by applicable law.



□ Sealed Air forbids its employees to make illegal bribes or kickbacks intended to secure favored treatment for the Company from customers, suppliers, domestic or foreign government officials or others. This rule also applies to the use of intermediaries to make such payments. An employee who finds himself or herself in a situation calling for payments which might be construed as illegal bribes or kickbacks should consult with his or her supervisor and corporate counsel prior to taking any action.



□ Sealed Air forbids the giving of any gratuity, whether in cash or property, to any government official in the United States or in any other country in which local law prohibits the giving of such gratuities. While we do not encourage them because they may create an appearance of impropriety, modest gratuities and tips to foreign government officials, representatives of customers, suppliers, or other persons whose duties are essentially ministerial or clerical in nature may be made only if such gratuities and tips do not violate local laws and if they are given solely for the purpose of expediting action required to be taken by such individual rather than for the purpose of influencing such individual to make a decision that he or she is not required to make.



□ The acceptance of gifts from suppliers, customers or others having business dealings with the Company may involve a conflict of interest or create an appearance of impropriety. Accordingly, Sealed Air employees shall not accept any cash payments from persons having a business relationship with the Company. Employees may accept reasonable non-cash gifts having a token or nominal value from any company or individual which has, or might have, a business relationship with the Company provided that they are not intended and cannot be construed as a bribe, kickback or other form of compensation to the recipient.



□ The Company makes no political contributions anywhere in the world. However, the Company encourages its employees to exercise their individual rights to be active in local or national politics.



□ Employees are reminded that it is a violation of United States law to buy or sell Sealed Air stock on the basis of material information not available to the public.



□ It is our policy to comply with the laws that affect the conduct of our business. It is the responsibility of each employee to have a familiarity with the principles of law that affect the performance of his or her job, to assist the Company in complying with the law, and to seek the advice of the employee's supervisor or a member of the Law Department if the employee is uncertain of relevant legal principles.



□ Sealed Air's Law Department provides legal advice to the Company on matters affecting the Company's business. Employees who deal with the Law Department are expected to provide to it all facts that are necessary to enable the Law Department to render a legal opinion on the matter on which its advice is sought. If, based on those facts, the Law Department advises that a proposed course of action is unlawful, questionable or not consistent with this Code of Conduct, the employee to whom that advice is given must act in accordance with that advice and advise his superior of that advice. Failure to comply with this or any other provision of the Code of Conduct may subject an employee to disciplinary action, up to and including possible termination of employment, and sometimes also to personal civil or criminal liability.

We trust that we can count upon all of our employees to maintain the excellent reputation of our company.

Thank you for your support.

*T. J. Dermot Dunphy*

T. J. Dermot Dunphy  
President

January 1991